Pricing Strategies of SMEs in South Africa: Investigating Antecedents and Moderators

By

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DECLARATION

I Asma Fathima declare that this Thesis is my own unaided work. It is being submitted for the Degree of Doctor of Philosophy at the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other University.

Asma Fathima

(Signature of the student)

06------------ day of ------October---------------- 2023 --------------------- in --------Kelvin--------------

DEDICATION

In memory of my loving father

B. Jameel Ahmed

1955 - 2018

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Thanks be to God the Almighty, first and foremost, who showered me with blessings all through my studies and helped me reach my goal.

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ABSTRACT

Small and medium enterprises (SMEs) performance may be influenced by several factors, including price strategy. However, there is limited empirical research on the pricing strategies of SMEs especially in emerging economies such as South Africa. The purpose of this research is to assess the antecedents, moderators and consequences of the pricing strategy of SMEs. The study also sought to explain the extent to which the size and the age of SMEs influence the effect of pricing strategies on the long-term viability.

Five hundred and forty-two (542) SMEs from the Gauteng Province, South Africa were surveyed for this study. Using a partial least square structuring equation modelling (PLS-SEM) the study analyses its hypothesized model to offer some useful insight for both theory and practice. Multiplicative as well as subgroup moderation analysis were performed as part of the moderation analysis to examine the effects of SME age, size, pricing objectives and pricing capabilities.

The findings indicate that some pricing conditions which are in the form of competitor relatedness, customer relatedness and corporate and market related explains pricing strategic choices of SMEs. While their significant effects vary per condition, pricing strategies were largely found to be driven by these factors. The study also found that pricing strategies in the form of value-based, competitor-based and cost-based strategies have varying effect on SME performance which were expressed in the form of market-share growth, sales growth and profitability over the past three years. The most significant effect of the pricing strategies on SME performance was found in value-based pricing, cost-based had minimal effect, while competitor-based strategy had no effect. However, with pricing objective and capability as moderators, while the effect of value-based remains significant, the effect of cost-based and competitor based become significant on some of the key performance measures. Firm characteristics such as age and size did not explain the effect of pricing strategies on firm performance as some strategic scholars have proposed even in the face of moderators.

A key contribution of this study is that while the effect of pricing strategies may not offer significant direct effect of SME performance, in the face of a clear pricing objective and adequate pricing capability, these pricing strategies can bring beneficial effect to SMEs. The study also shows that, in empirical terms, SME size or age may not explain the performance differential effect of pricing strategies even with a clear pricing objective or significant pricing capability.

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LIST OF ABBREVIATIONS AND ACCRONYMS

1. SME – Small and Medium Enterprises
2. FNB - First National Bank
3. SEDA – Sustainable Economic Development Assessment
4. SMME – Small Micro and Medium Enterprises
5. IMF – International Monetary Fund
6. GDP – Gross Domestic Product
7. BER – Bureau of Economic Research
8. TEA – Total Entrepreneurial Activity
9. BRICS – Brazil, Russia, India, China and South Africa
10. GEM – Global Entrepreneurship Monitor
11. SMB- Small and Medium Businesses
12. LMD – Leadership Management Dashboard
13. SARB – South African Reserve Bank
14. NDP – National Development Plan
15. RBV – Resource Based View
16. PLS-SEM – Partial Least Square – Structure Equation Modelling
17. CIPC – Companies and Intellectual Property Commission
18. SACE – South African Council of Educators
19. FAIS – Financial Advisory and Intermediary Services
20. CCMG – Contact Centre Management Group
21. SAICA – South African Institute of Chartered Accountants

22. SAITA – South African Informal Traders Alliance

23. CFA – Confirmatory Factor Analysis

24. AVE – Average Variance Extracted

25. TOL - Tolerance Level

26. VIF – Variance Inflator Factor

27. SRMR – Standardized Root Mean Square Residual Analysis

CHAPTER 1

INTRODUCTION

1.1 Introduction

This section serves as an introduction to the thesis and lays the groundwork for the rest of the research. It also takes a look at the problems researchers are having and the knowledge gaps that exist. This chapter lays out the study's objectives and formulates the questions that will guide the research. In addition, the thesis framework is constructed, and the important topics in this study are defined. A brief overview of the chapter's contents follows.

1.2 Background of the study

South Africa belongs to a number of countries that have focused heavily on SMEs during the last few decades. There are an increasing number of countries whose economies rely heavily on SMEs. Governments throughout the world prioritize the growth of SMEs as a means of stimulating economic expansion. South Africa's SMEs remain crucial to the country's economy. As large firms reorganizing and shrinking in size, SMEs have become more important to South Africa's economy and growth (South Africa Info, 2016). The FNB's Commercial Property Broker Survey for the first quarter of 2021 forecasts a drop from 1.77 percent job growth in the financial, retail, and service sectors in 2019 to -6.98 percent growth in 2021. The government has looked to the SME sector as a way to increase employment. SMEs in South Africa are many and diversified. They were found in many different industries, such as retail, wholesale, tourism, mining, agriculture, manufacturing, construction, and service (Gamidullaeva, Vasin & Wise, 2020).

In many parts of the globe, SMEs are performing a crucial role in the expansion of the labour force. In South Africa, this is indeed the case as well, where the SME sector is often regarded as strong and flourishing. To encourage the production of new companies and to create a climate favourable to their growth, the South African government has pledged its support for SMEs. The success of SMEs is important not only for South Africa, but for all countries (Nguyen, Jeong & Chung, 2018). Mostly because these corporations are crucial to the development of any nation's economy (Nguyen et al., 2018). How successfully a business satisfies its consumers' demands for products and services is an indicator of its success.

According to the South African Tax Service, the formal sector in South Africa is made up of 55.6% microenterprises, 33.7% and 9.5% SMEs (National Treasury Panel, 2016). Medium-sized enterprises predominate in the main industries, while tiny and micro-sized businesses rule the manufacturing and service sectors, respectively. The public has recently become more aware of the importance of SMEs in achieving societal objectives such as reducing poverty, increasing income equality, stimulating economic growth, and empowering formerly marginalized groups of people.

Statistical data — nearly 2.5 million people, according to a poll conducted in the first quarter of 2021, are working in South Africa's thriving informal economy (excluding formal Businesses). The number of SMEs in South Africa dropped by -11.1% during the first quarters of 2020 and 2021, from 2.6 million to 2.3 million (SEDA, 2021). It is estimated that 1.5 million SMEs from 2.3 million are unofficial, with the great majority engaged in wholesale and retail trade or the construction industry. SMEs "have high failure rates and low performance," despite the fact that they make considerable gains to the economy (Ncube & Ndlovu, 2022). Understanding why certain SMEs are more successful than others is crucial to the growth of the sector as a whole. In this regard, several SME-focused studies have highlighted the importance of strategic planning.

Efforts have been made on a worldwide scale to help SMEs expand and become more integrated into the global economy (Musabayana, Mutambara & Ngwenya, 2022). South Africa's SMEs drive economic expansion and are entrusted with addressing the country's social and economic problems, yet they face challenges in becoming and remaining competitive (Hoetoro, 2020). SMEs have the potential to operate as economic accelerators, however the vast majority of them end in failure (Adeosun & Shittu, 2021). South Africa has one of the lowest rates of entrepreneurial success in the world, despite the significant contribution that SMEs make to the growth of the economy and the generation of new employment opportunities.

It also has high rates of poverty and economic inequality. An estimated 33.4% of South Africans are now unemployed (Statistics South Africa, 2021). SMEs are seen favourably by company owners for their potential to foster economic development, income parity, job creation, and overall economy growth. Growth in the economy is largely attributable to the success of SMEs, which create new jobs and innovative products (Mishra, 2016). The contribution of the SME sector is heavily reliant on the creation of new businesses and SMEs in South Africa are paving the way in addressing the global issues. “Creating a new SME is a two-stage process (Owenvbiugie, 2020)”. In the first three months, a new business must decide what it will sell, gather the necessary resources, and set up the necessary infrastructure. The small business now enters the marketplace and competes with established firms for customers.

As a result, those in charge of SMEs have been dubbed "strategic myopic" (Letshaba et al., 2020). It is widely held that SMEs would not be able to reach their full performance and development potential unless they follow a strategic plan (Chakabva, Tengeh & Dubihlela, 2021). Because of this, several studies have focused on identifying the "barriers" that inhibit SMEs from putting their strategies into action.

Number of new businesses also at a historic low (Bushe, 2019). There has been a dramatic increase in the number of new small businesses opening in South Africa during the last decade. When it comes to creating stable employment, small businesses in South Africa are the country's best bet. This is sadly endemic in the business community in South Africa. This industry is not anticipated to significantly contribute to job creation, economic growth, or poverty reduction in South Africa due to the high rate of new SME development failure. Since they don't see the value in it, many SMEs don't bother with strategic planning (Dearman et al., 2018; Vasileva et al., 2018; Haleem et al., 2019). The central thesis of the vast majority of publications on business strategy is that modern businesses "must actively prepare for the future" to ensure their continued success (Huang, 2020).

As competition and market volatility rise, SMEs throughout the world, including South Africa, are working harder than ever to learn how to enhance their performance. More strategic planning strategies are needed, according to some experts and governments, so that you may maintain your current level of performance. Nonetheless, opinions remain divided on how strategic planning contributes to a company's success. Despite several attempts, linking strategic planning with a company's financial performance, the results have been mixed (Jayawarna & Dissanayake, 2019). As a result, there is no consensus on how strategic planning contributes to a company's bottom line.

Those who work in the field of informal strategic realise that their clients, mostly SMEs, see no performance gains from using this method. They argue that strategic planning tends to make businesses less flexible, making them less able to respond to changes in a fast-paced, competitive market (Mohapeloa & Mametsi, 2020). Others argue that strategic planning should be more formalized because of the many positive impacts it may have on performance (Williams, 2020). Strategic planning, in their view, is a management tool that protects enterprises from the risks posed by dynamic and competitive markets. In addition, strategic planning creates an operational framework that Schraeder (2002) findings give businesses an edge in the marketplace and boosts their productivity.

Strategic planning, or "the act of formulating and executing long-term strategies in a thorough and adaptable fashion," is essential for a company to reach its objectives (Jan & Anwar, 2022). Strategic planning include inquiring into the company's long-term objectives, current standing, proposed path forward, and anticipated external developments (Huang & Rust, 2009). A declaration of corporate purpose, objectives, strategies, and assessment are the most essential components of strategic planning (Jayawarna & Dissanayake, 2019). A firm uses its thoughts of what the future will look like to influence its activities while preparing for the future. According to Wei Liang (2018), significant components of strategic planning include a firm's long-term goal, line of business definition, and ensuring that the organization has a strategic "fit" with its surroundings. According to this hypothesis, a firm with a strong strategic fit is more capable of capitalizing on market possibilities while minimizing risk.

Businesses should participate in strategic planning as their surroundings are growing more complicated and uncertain (Desai, 2000). (Desai, 2000). These results imply that strategic planning methodologies aid SMEs in understanding their current situation, determining their future course, and adapting to an ever-changing business environment. Good news indeed for smaller businesses! The mission, vision, objectives, and objectives of an organization are integrated with strategic alternatives and resources through strategic planning (Gore, 1997). Several research projects have looked into strategic planning (Nawar, 2018). Organizations may learn more about their internal and external environments, as well as their own objectives, objectives, and resources, by using strategic planning approaches. Numerous studies corroborate this conclusion.

Strategic planning includes identifying long-term objectives, creating a strategy to achieve those objectives, and allocating or re-allocating resources to make that strategy a reality (Sifumba et al., 2017; Ayandibu et. al., 2019). Strategic planning in the real world is about one thing: beating the competition. Creating a "sustainable competitive edge" is the ultimate goal of every company's strategic plan (Ayandibu & Houghton, 2017). The fate of a small business may be determined by a number of factors. Investment, management, leadership (including marketing), strategic planning, and executive education are just a few of the numerous variables that contribute to a company's success. Businesses may respond to shifting customer tastes via careful strategic planning, tactical implementation, and regulatory monitoring of marketing campaigns (Musa et al., 2019). Dzisi and Ofosu (2014) state that SMEs need long-term marketing strategies to grow and succeed. Lack of marketing plan and financial resources are common causes of failure for small businesses (Amin, 2021). Management often attributed their companies' poor market performance to a lack of commercialization planning, as well as issues with market awareness, marketing, product development, and commercialization (Hadiyati & Hendrasto, 2021).

SMEs may boost firm performance via the usage of marketing strategies. A business's marketing strategy may be inferred from the efforts it makes to create channels for communicating with its intended audience, establishing and maintaining relationships with its consumers, and increasing sales and profits (Kariithi, 2015). A customer-reach plan is essential for every business, no matter how large or small. Satisfied clients should always be the top priority of any marketing strategy. While conducting an extensive marketing campaign, one must first develop a marketing strategy. It allows a company to prioritize investments in areas likely to provide the highest returns (Kariithi, 2015). The goal of every firm in today's highly competitive market is to ensure that its goods, services, and ideas are marketed effectively and delivered to the right target demographic (Makhitha, van Scheers &

Mmatli, 2019). The success of every business depends on its ability to maintain and expand its market share while mitigating the negative effects of competitive entry (Kenu, 2019). Positioning is a marketing approach that involves analyzing the market, the competitors, the customers, the context, segmenting the market, and then targeting the appropriate demographic (Amin, 2021). For an organization to successfully identify and meet the needs of its core clientele, it employs a marketing mix consisting of a variety of tried-and-true methods for doing so (Amin, 2021).

A company's success may be traced back to its core purpose, which is to launch, manage, and maintain the enterprise. Successful corporate management requires a thorough familiarity with the firm's operations and the means to ensure its financial viability. Being a critical and essential aspect of every company, price is always a valid and important point of differentiation (Abou-Moghli, 2018). Making pricing decisions is difficult under any circumstances, but especially in the face of fast price fluctuations, market uncertainty, and industry disruption. Profits, client retention, and repurchase rates may all be improved by strategic pricing. Several different pricing models exist, each tailored to a unique set of conditions and attributes (Radiman et al., 2022).

Objectives are set, available elasticity is determined, strategies are devised, prices are determined, and methods for tracking and maintaining the pricing strategy are established all within the pricing process. (Ndegwa, 2018). The market value of an object is determined by a series of complex mathematical calculations, research, and the willingness to take on risk. Sales price may also be referred to as pricing or selling price (Karugu, 2018). The price is the most that a buyer or seller is prepared to part with in exchange for the goods. While pricing has more wiggle room than anything else in marketing, there are still certain details to iron out (Karugu, 2018). There is a tremendous deal of variation in pricing strategies between markets, locations, and client demographics (Kienzler, 2018). Such instances are as follows: Pricing strategies include: premium, markup, cost-based, penetration, economy, promotional, price-skimming, value, psychological, regional, packaged, prestige, relationship, and predatory (Aman, 2022).

Yet, the vast majority of research focused on product, advertising, and distribution recommendations while ignoring the crucial impact of price decisions (William & Joyce, 2020). There have been calls for more investment in price research, but thus far, only little gains have been accomplished (Hofer et al., 2019). Some causes of this neglect include the absence of acknowledged pricing theories and the complexity of pricing strategies and managers' unwillingness to address the matter (Shane & Freeman, 2018). (Kemper, 2018). Without sound theoretical guidance, managers may be enticed to boost the company's performance using incorrect pricing assumptions. Further complicating matters is the possibility that improved pricing is essential for SMEs to improve performance and for firms in general to drive long-lasting competitive benefit in marketplaces (Hofer et al., 2019).

Extensive research has shown that an organization's resource deployment success is directly tied to the efficiency of its processes and pricing structures (Raja et al., 2020). A company's resource utilization will suffer if it is unable to deal with the knowledge asymmetry that exists between it and the customer on the potentially unique consumer value of its items. If the price is too high, sales volume will suffer, but if it's too low, profit margins won't be maximized and the business's resources won't be used effectively (Falahat et al., 2020). This is endorsed by data, thus it must be true.

It is that thriving SMEs often participate in some kind of strategic planning. As compared to non-participating SMEs, those who do so have greater gains in revenue, ROI, margins, and employee growth (Stenger, 2017). Studies back up this interpretation (Kubeyinje & Bariweni, 2020; Nair, 2019). In addition, SMEs that indulge in strategic planning are more inventive, produce a greater volume of items with new patents, innovative methods of production and management, and global growth (Sasha et al., 2019; Islam et al., 2021). Both (Lee & Owusu, 2020) (Lee & Owusu, 2020) Strategically planned

SMEs are less likely to fail (i.e., dissolve voluntarily) (Njeri, 2019). (Lee, 2020).

Without marketing, a firm's operations strategy would go to waste, and the marketing mix is the collection of all the many types of marketing strategies that may be used (David et al., 2017). The term "marketing mix" is used to describe the various combinations of the four components that make up a company's marketing system. A complete marketing strategy will use all parts of the market mix. The "4Ps" of marketing are the item being promoted, its price, its location, and the word of mouth being spread about it. We now integrate people, processes, and things as part of the marketing mix. All bets are off if any of these parameters are incorrect (Mo & Yang, 2022). All subsequent marketing efforts must be based on this, therefore mastering marketing management is crucial. "Price" is often reffered to the money a customer must fork over in exchange for a goods or service. Setting the appropriate price is crucial since it directly affects the amount of money that a company may earn. Cost is the measure of what a buyer is prepared to give up to get what they want. Price changes may have a large effect on demand and ultimately on sales, depending on the product's price elasticity. Thus, the pricing strategy is in line with the other components of the marketing mix.

It is often held that successful pricing strategies may improve a company's bottom line (Amin, 2021). Planning ahead is beneficial for the success of SMEs in developing economies (Eniola et al., 2019), and an efficient pricing strategy should be a part of this plan. According to Al-Qershi et al. (2019), strategic pricing is and will continue to be an essential skill for every business. When applied to the business's operational operations, a company's core competencies considerably increase the company's competitiveness (Al-Qershi et. al., 2019). A marketer's duties related to pricing are not often seen as interesting. When it comes to pricing, most companies don't make any distinctions between products, markets, or customer circumstances. Firms have a great deal of price diversity, which makes firms difficult to meet their revenue and profit objectives. They are unable to respond to the competitive pressures posed by other successful businesses because they lack the necessary pricing strategies.

A firm's "pricing capability" refers to how effectively it is able to maximize profits via the use of various price techniques and strategies (Falahat et al., 2020). The pricing capacity concept contrasts with literature that employs game theory reasoning to investigate how competing organizations assign and appropriate value with an emphasis on how one corporation does so via its own resources and pricing routines (Stoelhorst, 2021). Managers require price capability to succeed since a business's pricing capacity is dependent on the efficient usage of resources and the ability of the firm to gain a competitive advantage (Stoelhorst, 2021). Yet, earlier research on managers' pricing skills has shown contradictory outcomes (Falahat et al., 2020). Findings indicate that neither the elements that affect price strategies nor the managers' ability to develop pricing knowledge are totally obvious.

Successful SMEs may attribute their role in lowering unemployment and increasing GDP to careful planning and forethought on their part (GDP). Nonetheless, there is a high failure rate among SMEs. It is difficult to guarantee the long-term success of SMEs without first doing a comprehensive study of the distinctions between successful and unsuccessful enterprises. Studies suggest that SMEs might benefit from greater performance if they have strategic control over their pricing. In a nation with a high percentage of startup failures, South Africa's SMEs recognize the importance of pricing strategy to their continued existence.

1.3 Scope of the study

South African SMEs have a serious challenge to their growth since its founders cannot maintain the firm over the long term. Sometimes referred to together as "small businesses," these establishments are essential to the success of any economy. They promote economic growth, innovative ideas, and the creation of new employment oppurtunities. Due to the role that small enterprises play in the development of the economy, South Africa established a Ministry of Small Commercial Development at the start of 2014. The government agency's stated goal is to foster the growth and success of domestic businesses. This kind of company is crucial to the economy and has shown to be a reliable source of new jobs (Mondliwa et al., 2021). South Africa's startlingly high unemployment rate of 25% may be partially attributed to the country's severe manpower deficit (Statistics South Africa, Quarter 2: 2015). That's why the government is making an effort to design strategies, strategies, and initiatives that will help small companies expand.

Under the SME category, you'll find all sorts of formal and informal, VAT-unregistered businesses. SMBs are included under this definition (Mondliwa et al., 2021). Traditional family-owned companies with over a hundred employees and informal micro-enterprises are both examples of little businesses. People from the lowest socioeconomic brackets are included here. For example, SMEs make up the higher echelons of the business spectrum in industrialized countries. Most South African SMEs operate in the market's underbelly, where opportunistic niche players thrive (Meyer et al., 2018). They may be weekend-only freelancers operating out of their homes, or they could be vendors on the street or owners of backyard enterprises. SMEs account for the great bulk of the underground economy despite their low employment rates and limited capacity for expansion (Meyer et al., 2018).

Recognizing the essentiality of SMEs to a nation's financial and social growth has been a common practice for some time (Sefiani et al., 2018). More recognition is being given to the SMEs in promoting financial growth and development throughout Africa, and notably in SA (South Africa) (Zainol et al., 2018). More than half of all employment and 22% of GDP generation in South Africa (Jang & Kim, 2018), the most economically developed African country, were generated by SMEs. SMEs have a considerable effect on GDP and an even bigger effect on employment (Shubin, 2018). Most SME are, unfortunately, micro and survival operations with little possibility for expansion. Wiid and Cant (2021) project that between 70% and 80% of SMEs would collapse. According to Zvitambo and Chazireni (2019), the main reason for the failure of SMEs in South Africa is they lack the capital to invest in themselves, making it impossible to acquire the tools, personnel, and consultants necessary for growth. According to Herrington and Coduras (2019), South Africa has the lowest TEA rate among the 59 nations studied, at 8.9%, which is much lower than the average of all participating countries (11.9%). This view is shared by others (Lekhanya, 2016).

South Africa has the highest failure rates in the world, at 75%. as reported by (Meyer & Meyer, 2017). Researchers in South Africa (SA) found that new business owners seldom go beyond the "existing and surviving" phase to the "launching," "expanding," and "maturing" phases of their ventures. It is essential for small firms to concentrate on expansion if they want to survive, much less succeed, in the modern economy. Poole (2018) defined SME objectives that South Africa is home to among of the world's lowest rates of entrepreneurship. The rate is far lower than in other nations in Sub-Saharan Africa, falling below even Angola and Botswana. According to Grimbald and Nchang (2019), "the ultimate manifestation of competitiveness" is a country's capacity to preserve its riches over time. As international barriers to the free flow of products, services, money, and labor have been lowered in recent years, South Africa, a growing market with a mostly low skilled population, must develop a competitive strategy in the globalized economy (Imanto et al., 2019).

According on data from Turton and Herrington's study of TEA activity, the birthrate of SMEs in South Africa is very low (2018). In 2012, South Africa's TEA rate was 7.3 percent, down from 9.1 percent in 2011. It's far lower than the average among efficiency-focused nations (14.3 percent). And every year, it's predicted that 70% to 80% of South African Businesses fail (Adeniran & Johnston, 2019). During the course of the last five years, over 440 thousand small enterprises in South Africa have closed their doors (Adcorp, 2017). Because of this, the rate at which new businesses are being established is at an all-time low. In the last decade, neither the population nor the number of small enterprises in South Africa have grown or shrunk. In South Africa, only small businesses have the potential to generate a significant number of additional job openings. In South Africa, only small firms may possibly generate a large number of new employment opportunities. In my opinion, this presents a serious obstacle to establishing a commercial presence in South Africa. After considering South Africa's rapid rate of new company formation, the prospects for the SME sector to significantly contribute to the creation of jobs or the reduction of poverty are dim.

Titus (2018) contends that SMEs are essential to the market well-being of all countries. Politicians in the great majority of countries have been primarily motivated by the capacity of SME owners to offer jobs. The increased failure rate wastes resources. Individuals and their families may lose a lot of money if a SMEs fail. That's why it's crucial to study what factors lead to the demise of start-up companies. Due to their high failure rate, SMEs, according to Bowen (2020), make study on the traits required to help SMEs survive and enhance their performance essential.

SMEs have contributed significantly to employment expansion, poverty reduction, and economic development at the national level. The creation of small businesses in South Africa has the potential to substantially add to the country's economic growth, and doing so has a variety of benefits, including very inexpensive start-up costs. Positive and unfavourable features may be found within South Africa's SME industry. According to KatSMMEivhu et al. (2021), South African SMEs seldom make it through the start-up phase and into later phases of development including survival, take-off, and resource maturation. So many SMEs fail in their early years of existence, before they can generate any of the potential benefits to society.

1.4 Problem Statement

20 % of SME in South Africa do not succeed during their first year of transactions, and another 30% fail within their second year (Bruwer et al., 2021). In a country where youth unemployment is so prevalent, why is this happening? What can be done right now to fix this? Small businesses are crucial to South Africa's economic transformation, yet the country is really experiencing the opposite. Some of the drawbacks of this review, which is particularly onerous for small businesses, have emerged in recent years. The obstacles to entry, the returns on investment, and the market share are all important considerations here. If half of the companies don't make it to the third year because they weren't allowed to enter the market or keep operating, it's hard to hit the two-year goal.

SMEs face a considerable barrier to growth (Amin, 2021). Their lives might seem to be stuck in a rut, leading to discontent and eventually death. It's possible that owners' unwillingness to pursue new innovations and markets, or external factors like the state of the economy, are to blame for the industry's lack of forward momentum. Consequently, the challenges may come from both within and outside the company. As compared to their international counterparts, South African start-ups are less likely to survive the long haul, say Akinyemi and Adejumo (2018). This lessens the potential benefits that SMEs may provide to the South African economy, such as more employment, increased productivity, less poverty, and improved living standards. (Gankema, 2018).

Because of its immediate and direct effects on the ability of the business to earn a profit and keep expense low, pricing is very malleable component of the market mix (Hrinchenko et al., 2018). Price appears to have been overlooked by many academics and marketing experts, despite its obvious importance to the success of businesses (Nassreddine, 2020). It is common practice in marketing to put most of an organization's resources on developing novel goods, channels of distribution, and methods of communication; nevertheless, this may often result in under-researched and hence under-valued pricing strategies (Jennifer, 2022). The fact that many businesses rely primarily on the market knowledge and intuition of their management contributes to pricing's seeming ease as a marketing tactic (Syapsan, 2019). Few managers use pricing as part of a larger pricing strategy, and even fewer use pricing to purposefully generate advantageous conditions that lead to profitability (Nagle & Holden, 2003). Although just 2% of marketing journal papers focus on price, Hinterhuber and Liozu (2019) believe that additional study is needed to fully understand how consumers make pricing decisions.

Considering how serious the issue of the significant SME failing rate in South Africa is, this study is necessary. A disproportionately high number of SMEs in South Africa collapses each year. The success of South Africa's small businesses is crucial to the country's economy and the battle against poverty and unemployment. The primary goal of this research was to learn more about the difficulties encountered by SMEs in South Africa and the approaches used to resolving these issues.

The following data, taken from the Q1 report of SMME Quarterly 2021, demonstrates the diminishing presence of SMEs in South Africa.

Table 1.1. Initiated by the Small Business Administration (SEDA) August 2021

Key Indicators	2019 Q3	2020 Q2	2020Q3	q-o-q change	y-o-y change
Number of SMEs	2614063	2382030	2325203	-2.4%	-11.1%
Number of Formal SMEs	755265	656423	667111	1.6%	-11.7%
Number of Informal SMEs	1748031	1617533	1552814	-4.0%	-11.2%
Number of Jobs provided	10406070	9124485	9757287	6.9%	-6.2%
% Operating in Commerce and hospitality	38.0	38.1	37.6	-0.5pts	-0.4pts
% Offering communal service	14.0	13.1	14.8	1.7pts	0.8pts
% Working in the construction industry	14.4	15.7	14.7	-0.9pts	0.3pts
% Financial and Business Services	13.4	13.5	13.7	0.2pts	0.4pts
% Formalized black-owned Businesses	74.8	74.8	72.6	-2.2pts	-2.2pts
% Contribution of SMEs to total enterprise revenue	37.5	37.5	37.4	-0.1pts	0.2pts

According to the SME Quarterly report for the third quarter of 2021, the number of SMEs in South Africa dropped by 11% (or 280000) between 2021Q1 and 2021Q2. (y-o-y). There were 633,000 fewer people employed by SMEs as of 2021Q1 compared to the previous quarter. There were 9.8 million employment in SMEs, 6.2% less than in 2020Q1. According to the International Monetary Fund, global economic growth is anticipated to hit 6% in 2021 and 5% in 2022. (IMF). (2022). The Bureau of Economic Research has lowered its original prediction of a 3.9% increase in real GDP for 2021 and 2022, and instead expect a 6.4% decline from 2020. The newest data show that the decline of SMEs continued in 2021Q1.

90% of all lost employment in the economy were in the SME sector. In 2020Q3, SME employment decreased by 1.5 million, including owners. From 2019Q3 and 2020Q3, the total employment supplied by SMEs decreased by 14%, to 10.1 million. The Bureau of Economic Research (BER) forecasts that real GDP will rebound from an expected 7.2% decline in 2019 to 3.1% in 2020 and 2.2% in 2021.

South Africa's government failed to identify SMEs as a key engine of economic growth because it failed to provide enough support to the start-up and growth of SMEs. As a dearth of new, existing ones are likely working at or near capacity. According to Ncube and Ndlovu, South Africa has the lowest percentage of new SMEs being founded worldwide (2015). SMEs, as stated by Prakash et al. (2021), contribute to a creative "destruction process" by continually disrupting an otherwise stable economy, which in turn offers opportunities for economic rent. Thanks to the efforts of SMEs, the market is constantly being flooded with new and exciting products and services. The pressure that new firms put on established ones to innovate is substantial.

As acknowledged by the Government of South Africa the research of Prakash et al. (2021) on the benefits of establishing SMEs and published the White Paper on SMEs in 1995, it has done very little to support and promote SMEs activities since then. In 2019, South Africa has a smaller number of total entrepreneurial activity (TEA), falling much below the global average of 12.1%. Over the previous year, this figure was down 10.8 percent. The formation of new SME is negatively connected with areas having lower than average TEA rates (Herrington & Lollar, 2020). The University of Southern California's Global Entrepreneurship Monitor Report, 2020 Researchers at the 2020 South African GEM research compared business formation in the BRICS (Brazil, Russia, India, China, and South Africa) countries in 2017 (before the global economic crisis) and 2019. — The Incubator and Innovation Hub at the University of Cape Town. As shown by their study, Mefi and Asoba (2020) hypothesize. The TEA rate in Brazil is predicted to rise by as much as 28.0% between 2017 and 2019.

This is the result of a confluence of causes, the most important of which are policy changes those objectives to foster the expansion of small businesses and structural alterations to the business sector that make it less difficult to establish start-ups (Herrington & Lollar, 2020).

The dynamic economic climate and severe competition pose the greatest risk to SMEs. The pace of change in small businesses is high (Naicker & Rajaram, 2019). The economy expands, more people find work, and poverty decreases as businesses thrive. The capacity of small business owners to respond to shifting customer preferences is crucial to their companies' long-term viability.

As such, pricing has the capacity to affect a company's long-term prosperity. The marketing mix, which comprises the product, the pricing, the positioning, and the promotion, is essential to the success of any organization. Regrettably, many companies put too much stock in advertising and neglect to properly price their products and services. Nonetheless, pricing is essential to a business' success; if it's wrong, it may hurt sales and income (Cant & Wiid, 2016).

Despite the fact that price is essential in marketing, it receives surprisingly little study in academia (Kunjal et al., 2021). To wit: (Boachie et al., 2022). This is worrisome because it might significantly impact the pricing strategies of South African SMEs in light of the current uptick in demand for value-based solutions in the SME sector (Osano & Lutego, 2022). Based on their research, Boachie et al. (2022) estimate that in the not-too-distant future, people would want to pay for outcomes rather than things. This fact makes it urgent and important to examine the state of studies on pricing strategy. The literature on pricing strategies is quite narrow and fragmented, giving the impression that it lacks a coherent whole. Current literature fails to address contemporary developments in the field, such as an increase in studies on the impact of pricing strategies.

The major challenges faced by SMEs in context of pricing are:

1.4.1. Evaluating the Competition

It is argued that focusing on the consumer while developing a price strategy is crucial, but for any business that exists in a competitive market, this is best accomplished by concentrating on competition pricing (Ajami, 2020).

Customers have decision-making, and based on what they want and their values, they will select the most alluring value proposition for their requirements. It's crucial to fully comprehend your competitors' pricing in the pricing arena so that you can compete (Gregson et al. 2005). This doesn't always include undercutting the competition's pricing, especially if your product is exclusive or caters to a certain market. In either case, it's critical that you are aware of what the competition is charging.

1.4.2. Market Analysis

In a highly competitive market, a review of the product offerings and pricing of your rivals will probably provide you a complete picture of the industry. Nevertheless, incumbents occasionally make mistakes(Gregson et al. 2005). A certain demographic may be excluded from the market due to the pricing structure in place, or there may be a niche market that has not yet reached its full potential.

If the current retailers aren't delivering based on the expectations of the customers, a good pricing strategy of an business can make changes (Gregson et al. 2005).

1.4.3. Pricing for different consumers

It is challenging for businesses to set different prices for various consumer groups. One-time sales, for instance, typically have much greater expenses than recurrent customers. Implementing a strategy for consumers that make recurrent purchases, buy additional or related products, or both. These customers are more valuable, and SMEs should consider rewarding them with memberships or exclusive discounts that encourage them to make repeat purchases (Rentschler et al., 2007).

1.4.4. Knowing when to discount:

By reaching the objectives of the business, SMEs face the challenge of discounting their products. Discounting must be beneficial. Clearance reductions, for instance, might encourage the sale of outdated or otherwise soon to become obsolete inventory, freeing up working capital and enhancing cash flow (Rentschler et al., 2007).

On the other side, offering discounts may entice people to try a new item, but the company runs the danger of projecting the incorrect image of its goods or generating sales that would not have occurred without the discount (Rentschler et al., 2007). Additionally, it's crucial to avoid creating a habit among your customers of simply visiting your store during sales or discounts.

All the departments including marketing of a company must work together more closely when using strategic pricing. In order to increase profits, businesses often define their pricing strategy by considering external variables like the market and the amount of competition in the market (Korubo & Onuoha, 2020).

There also appears to be a paucity of study and experience with the pricing strategies of SMEs, despite the fact that pricing in the border sense has gotten a lot of attention in marketing textbooks and research papers. The challenging process of pricing, which requires a more analytical approach than SME managers know, and failing to grasp the distinctive features of SMEs in terms of resources and skills are also issues. Second, the lack of a distinct research strategy or an established research stream dedicated to the pricing practices of SMEs may contribute to the severity of the issue. The few pieces that exist intend to be highly specialized on all the themes and are often written in a style that suggests many writers were involved. The challenges provided by SME-specific peculiarities and environmental unpredictability have not been studied sufficiently to chart a better route for empirical research and practice.

Existing literature on SMEs fails miserably in its attempt to deal with the problem of price unpredictability. SMEs may not survive due to shallow pricing operations and judgments, which may be disastrous given their limited resources and the complexity of price. Hence, SMEs may lack the strategic discipline required to investigate and capitalize on market possibilities that might help them remain competitive and profitable. Understanding the elements that impact SMEs' pricing choices is essential for improving their prospects of survival and growth in developing countries like South Africa.

Second, setting the right pricing for your products may be challenging. Businesses need to charge a competitive price to attract and retain customers, yet setting unreasonable prices may hurt sales and hurt the company's image. But, if a company undervalues itself, it may not be able to generate enough profit to remain operational. According to statistics on company failures, it is the leading cause of death for 18% of companies (CBInsights, 2021). While it has decreased from 6% in 2017 to 4.9% this year, South Africa's firm exit rate is still much higher than the rate for well-established enterprises

(3.5%). As a result, it seems that the pace at which businesses are sold or go out of business is higher than the pace at which new businesses are created (Global Entrepreneurship Monitor, 2019).

It is "one of the most basic issues facing SMEs" to deal with fluctuating cash flow, therefore understanding the elements that affect it is crucial (Cowling et al., 2019). According to Amaral and Guerreiro (2019), knowing what influences the success of pricing strategies is crucial. Maximizing profits requires a well-thought-out approach, and this can't be accomplished without first gaining an appreciation for the factors that go into setting prices in the SME market. Although a wealth of information is available on SMEs in developed countries, the literature on developing economies like South Africa has largely ignored the significance of investigating the factors that lead businesses to choose certain pricing policies. Are there any other criteria or prerequisites for effective SME pricing strategies in developing markets, beyond manufacturing cost and competitiveness (Neubert, 2017)? Lack of access to pertinent market information often leads to suboptimal pricing strategies (Iyer et al., 2017), pricing low (Ingenbleek et al., 2018), and an increased dependence on individual's decision, social resources, and operational expertise when determining prices (Adekambi et al., 2018) and a higher market risk (Hallberg, 2017). The studies (Ingenbleek et al., 2018; Hallberg, 2017) support this idea. Understanding the pertinent antecedents may help advance the literature and theory of SME pricing.

Another critical hole in the research on SME success was the extent to which pricing strategies affect SME performance, particularly in emerging marketing contexts like Africa. Whereas other fields, such as services (Lie et al., 2021) and new product development (Liozu, 2019) and international trade, have extensive empirical research, emerging market SME development has lagged behind (Fracasso et al., 2022). To get theoretical insight into price and the SME literature, one must understand the many types of pricing strategies, the combinations of these strategies, the context, and the degree to which

SME traits effect pricing.

The many limiting circumstances under which a firm's pricing strategy will have an effect on its success has received little consideration in the literature (SMEs). The empirical backing for business objectives, industry competitiveness, and SME pricing power is murky. To understand how SMBs may best optimize their pricing strategy, awareness of the various consequences of these factors is required. Interactions are not necessarily linear because of the unpredictable circumstances in which SMEs operate. The success of a SMEs is directly tied to its pricing strategy, and this strategy may be improved by analyzing many boundary conditions (Dassen, 2021).

1.5 Research objectives and questions

The purpose of this research is to thoroughly understand how pricing strategies influence the overall performance of SMEs in South Africa. To facilitate the achievement of this purpose, some key questions are asked. Thus, what pricing conditions explain SMEs choice of pricing strategies?

Do the different pricing strategies have the same effect on different SME performance measures?

How can firm charactersitics such as age and size and capability and goal, explain the impact of pricing strategies on the productivity of SMEs?

The following specific research objectives are set to help respond to the questions above:

- To investigate the price antecedents and their effect on pricing strategies among South African SMEs.
- To assess the effects of pricing strategies on SMEs.
- To examine the impact of SME age and size on the relationship between pricing methods and performance of SMEs in South Africa.

- To examine how the relationship between pricing strategy and SME success is influenced by pricing objectives and SME pricing capability.

1.6 Definition of the terms.

1.6.1 Price

Price, as defined by Gundlach et al. (2017), is the sum for which something is offered for sale or exchanged, regardless of its value to the buyer. Even if a monetary value is not ascribed, products that are traded may nevertheless have a price. The price of a product or service is directly proportional to the value it provides to the buyer (Ahmed et al., 2021).

1.6.2 Pricing Strategies

A pricing strategy is a plan or process for choosing the most competitive price for a good or service. It assists you in setting prices while taking customer and market demand into account in order to maximise earnings and shareholder value.Numerous aspects of your organisation, including revenue targets, marketing goals, target market, brand positioning, and product features are taken into account by pricing strategies. Additionally, they are impacted by outside variables like market and economic changes, consumer demand, rival price, and general market trends (Sije & Oloko, 2013).

1.6.3 Small and Medium Enterprises (SME)

Small businesses in South Africa are defined as "a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried out in any sector or subsector of the economy" by the National Small Business Amendment Act of 2004. Groups like "survivalist," "micro," "very small," "small," and "medium."

Depending on a company's gross asset worth, annual revenue, and number of employees, each economic sector is classified differently.

1.6.4 Pricing capability

When we talk about a company's "pricing capabilities," we're referring to its in-house capacity to set prices (by researching competitors' prices, developing a pricing strategy, and implementing that strategy through pricing) as well as its external capacity to fix rates in the buyers' eyes. The capability to set prices is essential for every business that wants to follow through on its pricing strategy. Competitors will have a hard time duplicating your price advantage if you have a solid pricing strategy (Dutta et al., 2020).

1.6.5 Resources

In the words of Barney (2019), an entity's resources consist of “all assets, capabilities, organizational processes, firm characteristics, information, and knowledge that are under the business's control and allow the firm to plan and execute strategies that enhance its efficiency and effectiveness.”

1.6.6 Competitive advantage

Barney (2019) argues that businesses get an advantage over their rivals if they adopt a value-persisting strategy at the same time their rivals do not.

1.6.7 Cost oriented pricing strategy

Cost-based pricing techniques depend on manufacturing cost data. Access to information in real time is crucial, yet this method isn't without its limitations. It doesn't take into account the likelihood that buyers will really pay (Hinterhuber, 2018). Cost-plus pricing and direct/marginal-cost pricing are the two most frequent structures used by SMEs (Hinterhuber, 2018).

1.6.7.1. Cost plus method

As demand fluctuates, the cost-plus method simply adds a fixed percentage to the final unit cost of manufacturing and shipping (Faith & Agwu, 2018). Among these factors is a "reasonable" increase in the unit price, as determined by the work of Faith and Agwu (2018). The authors believe that a business should calculate its total cost of production and sales and then add a certain percentage in order to account for variables like competitors' price, product quality, distribution networks, and advertising campaigns (Ebitu et al., 2015).

1.6.7.2. Direct or marginal method

Those expenses that are anticipated to grow at the same time as production are included into the pricing. As a result of its money-saving properties, direct cost pricing is a useful instrument for marketing services. The money goes down the drain when, for example, customers are unable to reserve a hotel room or plane ticket. Setting pricing to cover direct expenses plus a portion of overhead may make sense in certain circumstances. If leasing equipment (or chairs, or space) is the answer, the direct cost is the very minimum at which a firm may be run successfully (Hyginus et al., 2019).

1.6.8 Pricing capability development

A company's pricing strategies and strategies will change when it has the power to charge greater prices. Adapting the company's current pricing structures and practices will lead to a new set of pricing capability elements since pricing capacity is made up of resources and procedures, and these may be further divided into distinct pricing capability components (as discussed in Section 2.3.2). The expansion of a pricing capacity may also include the addition or modification of sub-capabilities.

1.6.9 Competitors-oriented pricing strategy

The practice of modeling one's price after that of a competitor is shown here (Faith & Agwu, 2018). In this industry, it is common practice for businesses to benchmark their pricing against those of their primary competitors. Use of "go-rate" pricing, which is often used to commodities with minimal variation from unit to unit, such as aluminum and steel, forms the foundation of this pricing method (Hyginus et al., 2019). In this case, the cost of a product or service was calculated using market data (Agwu et. al., 2014). This happens more often in marketplaces where a pricing leader can be identified. Companies are usually wary of starting a price war with rivals, so they avoid setting prices that are much lower than the competition. As a result, bottom lines everywhere will take a hit. a. There are contexts in which businesses work together.

1.6.10 Competitive bidding

Typically, a consumer would post a detailed description of a product online and get bids from possible suppliers, who will then submit their best, most confidential offer to the customer (Jobber & Shipley, 2012). Everything else being equal, a consumer will choose the service provider offering the lowest price (Hyginus et al., 2019).

1.6.11 Prestige pricing strategy

Premium pricing attracts status-conscious, budget-conscious customers (Hyginus et al., 2019). A customer's perception of value is reflected in the price they pay. Consumers who feel that low costs indicate inferior quality sometimes create price floors beyond which they refuse to shop (Hyginus et al., 2019).

1.6.9 Differential pricing

It involves offering selling the same item to different customers for varying prices. This suggests that diverse market sectors are susceptible to varied costs (Hyginus et al., 2019). (Hyginus et al., 2019).

1.6.10 Demand-based pricing

This method steps back from the manufacturing process to analyze customer needs and responses to different pricing tiers (Hyginus et al., 2019). These prices are set by the market and change as needed to meet supply and demand. Costs are determined based on supply, demand, and the overall market environment (Hyginus et al., 2019). This is similar to how prices rise when demand exceeds supply in a supply and demand market. Price setting must be in accordance with consumers' opinions about the product when adopting this pricing method; otherwise, the product's pricing either be overpriced or under-priced for the target audience (Hyginus et al., 2019).

1.6.11 Bundle pricing

Hyginus et al. (2019) specifies that many products are sold in bundles to save customers the effort of having to find and purchase each component separately. Several different products are bundled together and sold at once in this situation. This is comparable to making bulk purchases and saving money. The most common approaches to price consumable goods are markup, competitor-focused pricing, cost-plus pricing, demand-based pricing, and packages.

1.6.12 Pricing policy for new products

Many more considerations than the costs themselves go into setting a price (De Toni et al., 2017). There are two broad buckets from which a corporation may choose when establishing its pricing strategy, and either will provide the same result: the establishment of the final price. Listed below are their respective names:

1.6.12.1. Price skimming

An individual's willingness to pay for something from the outset depends on how much they want it (Hyginus et al., 2019). Here, the product's overall quality and ability to meet the customer's needs are more important than the price. By charging extra for innovative products, businesses may profit from the purchases of a select few customers while still meeting their needs (Faith & Agwu, 2018).

1.6.12.2. Penetration pricing

This new pricing strategy encourages businesses to release previously unreleased products at reduced prices (Hyginus et. al., 2019). Penetration pricing is used when a business wants to grab a large chunk of a market by giving a low price (Faith & Agwu, 2018).

1.7. Assumptions

The research is conducted on the assumption that all strategic practices have common underpinnings. The study was developed based on four main premises.

Examining the strategies used by SMEs in South Africa to set prices is the major objective. While assessing the profitability and competitiveness of SMEs, this factor is taken into account. SMEs in South Africa rely heavily on their growth and development strategies to stay up with and sometimes even surpass their rivals.

Furthermore, many people think that if they are given the proper resources and support, they may start a company that will thrive and eventually employ many people. Yet, this doesn't prove that only micro- and small-sized businesses can and will provide new employment opportunities in the future. Even if the economy does recover, it will be difficult for the illiterate and the low-skilled to find steady employment. Working for yourself in the rapidly expanding SME sector is one such option.

Strategic growth in SMEs is the study's third pillar. To increase output, they might test out alternative product pricing models. This study will analyze SME profitability to find the optimal pricing strategy for SMEs. At the end of the day, it is thought that SMEs in South Africa use a broad variety of pricing techniques when determining the rates, they will charge for their goods. When deciding what to charge for their goods and services, many companies first check what their competitors are asking for comparable ones (Hyginus et al., 2019). So, this study will examine the financial stability of SMEs and their employee retention rates.

1.8. Organization of the study

Chapter 1: The importance and value of SMEs in South Africa, along with the challenges they confront, were introduced in the thesis's introductory chapter. The problem statement articulates a specific area of concern and the nature of the problem that requires fixing; it also serves to frame the research questions and provide context for the thesis's intended findings. The following sections establish the thesis's framework and outline the research's assumptions and bounds.

To answer these issues and more, this chapter will explain in depth how the thesis was written. Just what are these research techniques called? Which approach was used, and why did it win out? How do you define research methods? Which strategy was chosen, and why did it win out? What research methods do you think would work best for this study? Why did you choose it? Where did you look for this information, and how did you go about analyzing it? To what extent can we trust the findings?

Chapter 2: The second chapter explains the study's setting by detailing the geographical region, economic sector, and target market. Research scope and issues facing SMEs will be outlined in the context section.

Chapter 3: The theoretical underpinnings of the argument will be executed in Chapter 3. This theory will help us comprehend the state of SMEs today and, more importantly, provide the groundwork for creating new ways of doing business to solve the issues caused by the parameters within which prices are set and the strategies used by SMEs. The findings from the theoretical study will also be incorporated into the operational strategy.

Chapter 4: In the fourth chapter, we'll look at the antecedents of pricing strategies for SMEs, covering factors like rivals, market share, customers, items, and revenue. Afterwards, the current situation of pricing strategies will be analyzed.

Chapter 5: After a review of the current state of affairs, the fifth chapter builds a theoretical, empirical, and conceptual foundation for the inquiry. The proposed causal connection is modeled based on the underlying conceptual framework. In this chapter, we'll argue for both of those possibilities.

Chapter 6: here is a whole chapter dedicated to different ways of doing research in the sixth section. To answer these issues and more, this chapter will explain in depth how the thesis was written. Just what are these research techniques called? Which approach was used, and why did it win out? How do you define research methods? Which strategy was chosen, and why did it win out? What research methods do you think would work best for this study? Why did you choose? Where did you look for this information, and how did you go about analyzing it? To what extent can we trust the findings?

Chapter 7: The outcomes of the data analysis are discussed in this section. We'll talk about descriptive statistics in this chapter. The validity and reliability of the tests will be shown in this section.

Chapter 8: The results of the study are shown here. Both the research topic and the stated objectives will be represented, as well as their connections to the existing body of knowledge.

Chapter 9: Conclusions and recommendations are executed in the last part of this thesis. By discussing the study's primary findings and addressing the research questions and objectives, this section will serve as a useful conclusion. An explanation of the research's contribution to knowledge will be given. The study's restrictions, and any suggestions for future research for further investigation will be discussed here as well.

CHAPTER 2

CONTEXT OF THE STUDY

2.1 Chapter overview

The objectives of the South African NDP include ending poverty and inequality and lowering the jobless rate to 6%. A large disparity exists between these numbers and the existing financial condition in South Africa, where household poverty is at 57% and unemployment at 27%. South Africa consistently ranks among where inequality is greatest as measured by the Gini index of 0.691. (StatsSA, 2019). Inclusive growth has to be expedited if South Africa is to make major strides in reducing poverty, inequality, and unemployment.

In South Africa, the importance of SMEs in fostering long-term, broadly shared economic growth and development is widely acknowledged. The National Development Plan highlights the significance of SMEs, with the objectives of having SMEs account for 90% of employment in South Africa by 2030. If these businesses are able to combine and expand, a long-term solution to the problem of low wages and income inequality may emerge. If you're out of work and looking for something to do, you may want to look into starting your own company.

The literature from throughout the world supports this stance. For instance, Block et al. (2017) show that entrepreneurs are a major source of job creation and that entrepreneurship has positive, long-term spill over effects that lead to greater employment growth rates. Furthermore, promoting the expansion of existing SMEs may encourage innovation and employment creation inside these organizations. According to the 2018 SME Growth Index, 52 percent of SMEs on a strong growth trajectory expanded employment in the prior year, compared to just 12 percent of SMEs seeing a decline in revenue.

Since it is so challenging to collect reliable and representative data on businesses in South Africa, this research draws its information from a wide range of sources. Nevertheless, as various sources employ various techniques to identify SMEs in South Africa, direct comparisons across datasets are tricky.

The profile of SMEs shown in Section 3 is based on individual-level LMD data (2013). The second category defines SMEs by the number of employees they have. We may use this information to look at the economy from a variety of perspectives, from lone entrepreneurs through corporations of varying sizes. Companies with less than 49 full-time workers qualify as SMEs according to the World Bank. Part 4 contrasts this with an analysis of the difficulties faced by SMEs, based on information gathered from a variety of enterprise-level sources. Depending on context, "SME" may refer to a wide variety of businesses, although often it refers to a firm with less than 99 people (Bhorat & Khan, 2018).

Thereafter, the current situation of SMEs in South Africa is discussed, along with the primary challenges they face in terms of growth. It examines the significance of SMEs in South Africa from a comparative perspective. This article looks at SMEs in South Africa from three angles: the company, the owner, and the workers. Next, we differentiate between formal and informal SMEs to highlight South Africa's distinct informality. Although South African businesses strive for expansion, they face both internal and external obstacles, which are examined in this paper. Both internal (to the company) and external (to the company) factors might contribute to problems (originating from outside the organization). This chapter provides an overview of the results and outlines the main barriers to SME development in South Africa, taking into consideration the variation in business size and informality status.

2.2 Performance of SMEs in South Africa

SME developments in South Africa have shown a moderate parabolic form in relation to the global economic crisis, 2008 and the most recent recession of 2019. In the fourth quarter of 2008, 255 742 SMEs existed. After falling to a low of 151 741 in the fourth quarter of 2014 as a result of the 2008 financial crisis, the number is projected to rise and reach a new high of 247 881 in the second quarter of 2020. South Africa is projected to have 2.4 million SMEs by the end of the third quarter of 2020. SMEs may feel the effects of the Covid-19 pandemic. According to polls conducted by Stats SA (2020), the vast majority of the country's SMEs were unable to function during the closure (Stats SA, 2022).

2.3 Size and characteristics of SMEs in South Africa

Apart from agriculture and households, the number of SMEs in South Africa increased from 2.09 million in Q1 2008 to 2.17 million in Q2 2020. (BER, 2016). Around 667,400 of the 2.17 million registered businesses in the United States are formal, while over 31% are informal (Figure 1). During the first quarters of 2008 and 2015, there was a rise in the total number of businesses as a consequence of the creation of 83 informal SMEs for every new formal SMEs (BER, 2016).

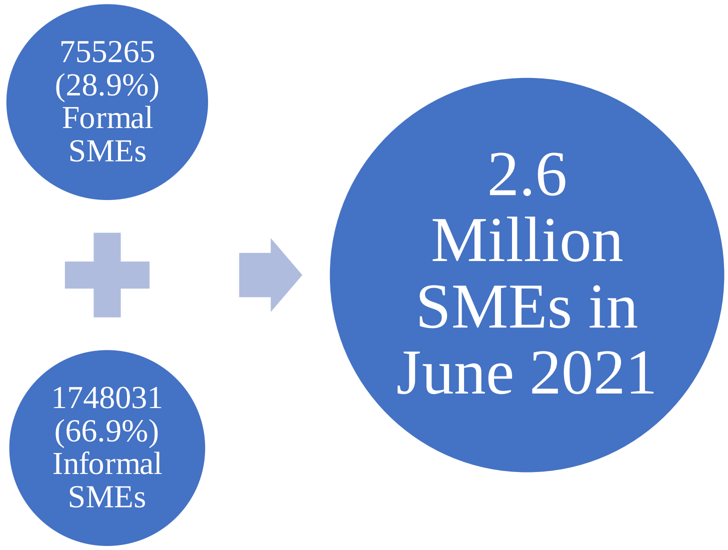

Figure 2.1. ***Number of Formal and Informal SMEs***

SMEs in South Africa have a number of other traits with both their formal and informal counterparts:

2.3.1 Formal SMEs

For the purposes of the South African government, a "formal company" is defined as one with "a clearly defined organizational structure that regularly employs personnel". Formal companies are good locations to work due to their scheduled hours, salary, and tax payments. Registration provides formal enterprises with security. The word "formal business" encompasses both public and private companies. These corporations adhere to all relevant rules and regulations. These organizations are well-structured and controlled.

Formal sector of the South African economy comprises all tax-paying and government-regulated companies. The formal sector is home to the majority of well-known private companies. This umbrella might include grocery stores, restaurants, petrol stations, banks, and insurance businesses. To be part of the formal sector, a company must satisfy all legal standards and only employ legal employees. In the broadest sense, this is the "known" contributor to the economy.

2.3.2 Informal SMEs

Untaxed or unmonitored economic activity is known as the "informal sector." People who are not employed in the official economy run informal companies. The formal sector is dominated by sole proprietorships and small local companies. Any enterprise that is unlawful or not subject to regulation falls under the informal sector. The GDP excludes the results of these businesses' economic operations (GDP). Those enterprises that don't "pay their dues" to the government are part of the informal sector.

The informal sector constitutes a major percentage of South Africa's economy. This comprises a significant number of neighborhood companies and home-based enterprises. Many of South Africans depend on the informal sector for low-cost food, clothes, and other products and services. For South Africans who are unable to obtain employment in a more conventional context, the informal sector offers an alternative source of income.

2.3.3 Characterisations and peculiarities of informal and formal SMEs in SA

2.3.3.1 Ownership of SMEs

Unlike formal SMEs, which are dominated by enterprises with an owner and a staff, the vast majority of informal SMEs are owned by self-employed individuals (about 70 per cent of formal SMEs). The majority of small company owners in Africa are Black and in the ages 35 to 44-year-olds with the lowest educational attainment (Stats SA, 2021).

2.3.3.2 Provincial distribution

In terms of business, the provinces of Gauteng and the Western Cape are where it's at. The majority of South Africa's unrecognized enterprises operate in the country's more outlying regions, namely Limpopo, Mpumalanga, and the Eastern Cape.

2.3.3.3 Sectoral distribution

SMEs are common in many different industries, including commerce, hospitality, and the non-profit sector. The construction industry is the second most common for unofficial businesses, but the majority of formal SMEs work in the financial and business services sector. There are more than twice as many unregistered manufacturing SMEs as there are officially recognized ones.

2.3.3.4 Value

The estimated R160 billion ($16.6 billion) turnover of South Africa's informal economy is 2.5 times that of the country's entire agricultural sector (IERI, 2018). The R727 billion earned by legitimate South African SMBs is only a fraction of the R100 billion earned by the country's unofficial sector.

2.4 Employment

Around 6.8 million persons, out of a total workforce of 15.8 million in the first quarter of 2016, were engaged in the non-agricultural, formal sector. (Stats SA 2021) According to Statistics South Africa, the informal economy has a tremendous effect on employment in South Africa, as 16.5% of all employees are employed in the non-agricultural informal sector. It is anticipated that between 2008 and 2015, the number of people employed in the informal sector expanded at a rate roughly equivalent to, if not faster than, the growth of informal firms throughout the country.

Most formal non-agricultural employment creators were found in community services, financial and trade activities, and manufacturing (Stats SA, 2016). Employers in South Africa's non-agricultural informal sector are heavily concentrated in the areas of trade, community services, and construction.

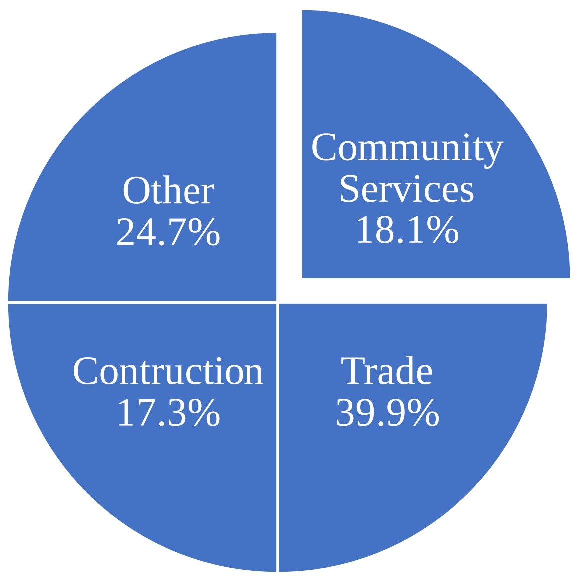

Figure 2.2. Sectoral Contribution to informal non-agricultural sector employment

Source: Stats SA (2021)

Employment in non-agricultural industries fell from 2008 to 2016, despite increases in community services and construction. So, the 2,165,293 SMEs operating worldwide in 2021 need your focus. Production in other industries that the mining industry contributes to include manufacturing (0.2%), construction (7.3%), commerce (17.3%), transportation (39.9%), and finance (8.8%). The remaining

24.7% was mostly attributable to the importance of informal firms creating jobs in non-trade sectors (18.1%).

2.5 SME concept in South Africa

Sometimes referred to be "micro" or "small" businesses, SMEs are crucial to the health of any economy. They may play a significant role in promoting economic growth, the introduction of innovative products, and the production of new employment opportunities. Earlier this year, the government of South Africa established a Ministry of Small Business Development to further support the country's flourishing small business community. It is the Ministry's intention to streamline the processes involved in advertising and expanding small enterprises. There is a lot of data to suggest that companies like this are great for the economy (The DTI, 2018). South Africa's startlingly high unemployment rate of 25% is at least in part attributable to the country's chronic manpower shortage (Statistics South Africa, Quarter 2: 2020). The government is now engaged in a number of initiatives objectivised at developing rules, procedures, and programs that will help small businesses and entrepreneurs thrive.

SMEs are increasingly crucial to national economies and employment levels, according to Korley (2018). (MNCs). This article also acknowledges that this is the case in both economically prosperous and less developed countries (Korley, 2018). Due to their increasing economic significance, SMEs have become a hot topic in global policy debates. Governments on all levels have responded to the rising importance of SMEs by enacting strategies and initiatives meant to foster the growth of the industry.

There is a broad range in the total amount of money that SMEs in South Africa contribute to the economy. It is safe to say that South Africa's SMEs are largely responsible for the country's robust economic growth (GDP). According to projections made by the South African Reserve Bank (SARB), formal enterprises would contribute between 52% and 57% to GDP in 2020/21.

SMEs may include both well-known and less-publicized businesses (The DTI, 2008). While the phrases are sometimes used interchangeably, there is a distinct difference between official micro-enterprises and family-run businesses with more than 100 employees. This second group consists of people from lower socioeconomic backgrounds who have chosen self-employment as a method of making a living. Top tier is typical of the SMEs found in developed nations. SMEs in South Africa, like many other businesses throughout the world, are at the bottom of the economic food chain (Berry, 2021). Businesses like selling goods on the street, setting up makeshift workplaces in people's backyards, and providing services on demand are all viable options that might arise from the absence of a traditional 9 to 5. The informal sector is home to a greater number of SMEs, with a higher proportion of survival firms (The DTI, 2018).

South Africa's SMEs were first mentioned in the country's 1995 White Paper on SME Development. To achieve these objectives, the Integrated Small Business Growth Plan established a set of measures to be taken. Increasing demand for products and services provided by SMEs; lowering regulatory restraints; Increasing financial and non-financial help (The DTI, 2018). Several organizations have been established as a direct result of this plan to carry out the strategy for expanding small businesses (GEM, 2014; GEM, 2020).

2.6 Challenges faced by formal and informal SMEs

SMEs in South Africa face a wide range of challenges. The following sections focus on the most significant difficulties encountered by SMEs; many of these difficulties are shared by both formal and informal Businesses. The evaluation results for South Africa's Enabling Environment for Sustainable Companies were used into the design of these interventions (ILO, 2021). The following sections focus on the most significant difficulties encountered by SMEs; many of these difficulties are shared by both formal and informal Businesses. The evaluation results for South Africa's Enabling Environment for Sustainable Companies were used into the design of these interventions (ILO, 2021).

2.6.1 Access to finance and credit

For many companies, the lack of available money is a serious issue (Financial Services Regulatory Task Group, 2017). Because South African banks are so risk-averse, it seems to reason that they would favor investing in small businesses that are closing their doors. Banks and other lending institutions care little about start-up SMEs (Financial Services Regulatory Task Group, 2019). The intensity of these preferences, however, may vary for a variety of reasons, location being one of the most significant. Finscope's Small Business Survey found that when compared to other provinces, SMEs in Gauteng and the North West had the greatest availability to finance (Finmark Trust, 2018). More than half of South Africa's technically constituted SMEs are headquartered in the province of Gauteng, according to recent statistics from that region (DTI, 2018). SMBs in Mpumalanga and the Northern Cape have a hard time getting capital. Furthermore, the mostly rural character of these areas is a contributing factor.

2.6.1.1 Access to credit is hampered by a number of factors

The GEM South Africa 2014 survey found that poor profitability and inadequate access to finance were two of the main reasons of SME failure in the country. The GEM study also found that falling profits were a major factor in the growing number of business failures. The absence of a solid credit history or enough collateral on the side of the entrepreneur (Financial Services Regulatory Task Group, 2017), the incapability to develop an acceptable business plan in the eyes of banking systems, unreliable market data, a dearth of marketable products or services, and restricted market penetration all contribute to the inability to launch a successful company are all common obstacles when it comes to securing financing for a small business (Financial Services Regulatory Task Group, 2017; GEM, 2014).

2.6.2 Poor infrastructure

Expansive businesses face significant obstacles, such as the high cost of conducting business and the difficulty in securing the requisite physical infrastructure. Investments in the country's infrastructure are a crucial role in the development of SMEs, according to study conducted by GEM South Africa in 2016. It's not just about having a place to set up shop; new companies may also benefit from inexpensive utilities, transportation, and communication systems. Investments in the country's infrastructure was found to be a significant influence in the expansion of SMEs by the Global Entrepreneurship Monitor (GEM) in 2016. Existing and developing SMEs depend on these services to continue operating and expanding.

As the results showed, it is more challenging for small enterprises in the province of Gauteng to acquire acceptable commercial real estate (Finmark Trust, 2018). Northwest SMEs have voiced concerns about utility issues such electricity transmission outages. Many people in Mpumalanga and Northern Cape had wildly different interactions with the police. SMEs often insist that they have sufficient infrastructure and room to operate.

2.6.3 Low levels of research and development

Organizations of all sizes may benefit from investing in R&D since it can help them grow. Figure out whether it's possible to turn ideas into working businesses. Businesses might potentially get access to new, ground-breaking ideas via the discovery process if they allocate resources to this area of their business. Tassiopoulos et al. (2016) found that compared to other types of startups, creative businesses grew at a much faster rate. Research showed that South African SMEs lacked the inventiveness of their wealthy-country peers. Small businesses' inability to form robust upward ties with larger organizations, as argued by Anning-Dorson (2021), is a major issue limiting innovation in the American economy. The failure to do so has cost them opportunities to transfer technology to other parts of the world. For the government to provide incentives for R&D is a recommendation of the GEM (2020). The plan's end goal is to foster creativity by fostering new connections between domestic and international firms that rely heavily on intellectual capital.

2.6.4 Intricate labour laws

The legislation in this country substantially restricts business expansion due to limitations on firing large numbers of employees (OECD, 2015). The rule makes it hard for small business owners to let people go, even if the company can't afford to keep them and/or they aren't doing anything to help the business succeed. In times of economic hardship, small firms have no protections from labor regulations (GEM, 2020). Berry et al. characterized manufacturing SMEs as those that depend largely on human labor (2021). SMEs in South Africa are unable to survive due to the high cost of labor necessitated by worker protection laws. Having to pay employees the minimum wage in South Africa is a huge financial burden for new businesses. Small firms may not be able to afford to hire anybody, regardless of how much experience they have.

2.6.5 An under-educated workforce

According to the National Development Plan (NDP), a lack of service sector specialists has a negative impact on small companies throughout the nation. This is particularly true for scarce but essential resources, such as accounting and sales knowledge. SMEs are especially prevalent in sales-driven sectors like retail and the hospitality industry in South Africa. DTI (2018) recognises that lack of skilled employees and lack of entrepreneurial potential are important barriers to growing the workforce.

2.6.6 Lack of access to markets

The long-term success of SMEs is jeopardized by their incapacity to expand into new markets. Having ready access to markets is crucial for attracting investment and seasoned mentors (as determined by credit providers). Rural small enterprises have more challenges than their metropolitan counterparts (Watson & Netswera, 2019). SMEs have unique challenges when trying to improve their collective market strength as a group because of their smaller size and more scattered locations. Therefore, they lobby government agencies relentlessly to meet their requirements. Naude et al. advocate for geographical groupings (2017). Instead, cluster development is highly recommended after a SME has outgrown the start-up phase. In today's highly competitive industry, clustering might be harmful to small enterprises.

A thriving SME sector is crucial to the economic and social development of any nation (Sefiani et al., 2018). SMEs are becoming more important in many African nations (Zainol et al., 2018). According to studies conducted by Jang and Kim, SMEs are responsible for more than 55 percent of employment and 22 percent of GDP in South Africa (2018). Hence, it now boasts Africa's highest per capita income (2018). According to Shubin (2018), SMEs have a significant effect on the economy and the labor market. The vast majority of SMEs are one-man operations with little resources. It is estimated that between seventy percent and eighty percent of start-ups fail, according Wiid and Cant (2021). Many SMEs in South Africa fail due, in part, to a lack of financial resources, which is said to arise from a lack of human and consulting resources. Overall Early-Stage Activity in South Africa was 8.9% lower than the average of all participating nations (11.9%), according to Herrington and Coduras (2019). This placed South Africa at position number 27 out of 59 countries. Lekhanya (2016). (2016).

One must shut shop if they are unable to maintain their company sustainable throughout its infancy. It takes more than just keeping the doors open for a small company to maintain competitiveness or gain an edge in today's market. According to Poole, entrepreneurial activity in South Africa is much lower than in other sub-Saharan African nations like Angola and Botswana (2018). So, compared to other African nations, South Africa has a much lower rate of entrepreneurship. Keeping one's wealth stable over time is the strongest indicator of competitiveness (Grimbald & Nchang, 2019). As economic globalization has occurred along with the reduction of trade barriers, South Africa needs to become internationally competitive. It's no secret that there have been some rather significant changes in the global economy over the last few years (Imanto et al., 2019).

There is a high percentage of failure among SMEs, and growth is uncommon in the country (Meyer & Meyer, 2017). Few first-time company owners are able to see their companies through the challenging early years and go on to achieve long-term success and growth, according to studies. Businesses of any size need to expand if they want to maintain or improve their position in the market. Poole (2018) objectives that South Africa has substantially less entrepreneurial activity than other Sub-Saharan African countries like Angola and Botswana (2018). Among African countries, South Africa has one of the lowest rates of entrepreneurship. It has been suggested that a nation's long-term prosperity is the pinnacle of its competitiveness (Grimbald and Nchang, 2019). As a consequence of economic globalization and the lowering of trade barriers, South Africa requires a global competitive strategy. As a result of the financial crisis which started in 2008, the global economy has changed dramatically (Imanto et al., 2019).

To ensure the health and stability of the global economy in the long run, it is essential to investigate the factors that lead to the failure of SMEs (or flourish). Governments in many regions of the globe are generally positive about the potential contribution of SMEs to the creation of new employment. There should be no time or money invested in a project that has a high probability of failing. When a business of any size fails, it costs more than simply money; it costs lives. Given this, it is important to get insight into the causes of start-up failure. Bowen stresses the need of studying the factors that ensure the long-term viability of 2020.

2.7. Economic and Social factors influencing Pricing strategies:

2.7.1. Economic factors:

The major indicator of the economic attractiveness of foreign markets is the level of GDP. As GDP rises, so does the demand for products and services. Businesses also analyse the distribution of income within a country when identifying specialty and segment markets. Marketers constantly monitor not only a country's current economic prosperity, but also its future development in terms of population and density, inflation and economic growth, age and income distribution, level of urbanisation, and other economic activities that will affect markets and pricing.

Pricing considerations are influenced by the foreign or host country's economic environment. It has a substantial impact on a firm's costs, as well as determining the demand potential for a specific product/service and the pricing that local customers can afford and are ready to pay (Whitelock & Pimblett 1997). Some articles that are considered necessities in Western countries are considered luxury items in my country (Rwanda) and most SubSaharan African countries. This supports the idea that demand for a product/service at different price levels is influenced by the purchasing power of targeted customers, which is dictated by the country's level of economic development (Jain 1989).

2.7.2. Social Factors:

People from various cultures have distinct tastes, purchase different things, and react differently to the same service or product. As a result, the demographic structure of a foreign market should be taken into account. Another ongoing trend that will effect worldwide marketing is the ageing of the population in major Western markets, as well as the expansion in population in various nations such as India and China. As teens worldwide become a global market segment, and Sub-Saharan Africa becomes a part of the global market, marketing methods, including international and export pricing, will need to adjust to social variables. That is, while pricing for international markets, one must consider local material culture, language, aesthetics, education, religion, and attitudes and values. Firms must thoroughly evaluate the features and purchasing habits of the target market country to choose an effective pricing approach. Consumers utilise price level as a key criterion when comparing competing products. Customers value other variables such as product quality and performance (Douglas and Wind 1987). As a result, corporations must consider foreign consumers' preferences, attitudes, and behaviour while creating pricing strategies and purchasing habits in relation to different price levels (Theodosiou, 2000).

2.8 Chapter summary

In this part, we explored the literature that provided the background for our inquiry. In this chapter, we looked at the argument that SMEs are crucial to the success of South Africa's growing economy. South Africa's government sees supporting SMEs as crucial to the country's economic success. In South Africa, SMEs account for 36 percent of GDP and 56 percent of private sector employment. Government estimates place the unemployment rate in South Africa at 24.5% of the working-age population. Using and fostering the expansion of small businesses is one of the most effective methods for lowering the unemployment rate. Yet with all of its progress, South Africa still has a high rate of SME failure. Around 75% of new Enterprises in South Africa fold during the first five years. South Africa has the lowest chance of a new SME surviving after 42 months among all GEM countries. This exemplifies the value of long-term strategic planning for South Africa's SMEs in securing a stable place in the market and boosting the country's economy.

CHAPTER 3

THEORETICAL REVIEW

3.1 Introduction

The theoretical underpinnings of the inquiry are laid forth in this section. The theoretical underpinnings are provided at the beginning of the chapter as context. It also provides supporting data and background on the need of theory synthesis. Using the theoretical lenses of profit maximization theory, resource-based theory, and the marketing-mix model, firm pricing strategies are analysed. This chapter illustrates the importance of integrating the three ideas by combining them. Typically, chapter summaries appear at the conclusion of each chapter.

3.2 Theory of the firm – profit maximisation

Profit maximisation theory is the guiding notion that all firms should maximize profits (Schmoll & Ostberg, 2021). Maximizing revenue or profit is the process of maximizing revenue or profit. Strategic level is the level of sales at which earnings are highest. It serves as a benchmark for ideal situations and strategic preparation. To maximize profits, or ROI, involves using a product in a way that maximizes its value (Schmoll & Ostberg, 2021). Profit maximization requires attending to two primary principles: minimizing expenses and increasing revenues. The breakeven point is the most popular standard for profit maximisation, thus if a firm can boost sales over this threshold, it will not only maximise earnings but also generate prospects for future expansion (Xaba, 2018).

Higher pricing and reduced manufacturing costs are two strategies for a prosperous firm to improve sales and profits. They are able to do so because they have access to resources that other firms lack (Meng & Zhou, 2021). Many examples of effective profit maximisation in the workplace have resulted in greater compensation for employees. According to profit maximisation theory, a business will choose the optimal course of action to maximize its profit margin (Nasreen & Ruming, 2019). According to another economic principle, enterprises will pick the option with the lowest production costs, even if other choices result in lower overall costs or greater total benefits. As a consequence of this hypothesis, economists have a greater grasp of how corporations make decisions (Nasreen & Ruming, 2019).

This theory is a cornerstone of microeconomics, and its assumptions and consequences have been widely investigated by several economists (Zouboulakis, 2019). According to the profit maximisation hypothesis, a company's primary goal should be to increase its bottom line. It presupposes that a business's decision-making process is rational and efficient, and that in order to maximize profits, the organization would exploit market opportunities and use its resources effectively (Zouboulakis, 2019).

The idea of the company is discussed in a broad and diverse professional literature that is constantly increasing. It is, however, commonly acknowledged to be in a chaotic and unstable condition; there is no consensus over the theory's objective. According to Archibald (2018), "the subject matter and scope of 'the theory of the company' are neither evident nor easily articulated." When discussing a company's budget, profit maximization refers to the management team's ability to bring in as much money as possible while cutting costs as much as possible. Profit maximization or Earnings Per Share (EPS) optimization is a financial management method designed to boost a company's bottom line.

Making the most money possible is the ultimate goal while making financial and investing choices. Although "maximizing profits" may be the "goal," this statement stresses the importance of "the methods to attain this purpose" and "differentiating a firm in the corporate world and market" (Henrietta, 2019). In 1759, Adam Smith advanced the theory that supply and demand play a key influence in establishing price for products and services. Important variables like as competition, product quality, and the introduction of new items are thought to have significant impacts on price setting, making this hypothesis crucial to the study's objectives (Yannelis & ZhGonang, 2021). This idea is consistent with the historical practice of establishing prices via negotiation of an equilibrium between supply and demand.

Organizations, according to the economic theory, should objectives to maximize their total income as much as possible. Similarly, businesses know both the expected volume of a certain product's manufacturing and the price at which it will sell. Profit maximization occurs, then, when marginal revenue equals marginal cost (Filippas & Gramstad, 2016). Not many entrepreneurs would really believe these assumptions. According to the theory of demand, when the price of a good or service is lower, consumers are more likely to make a purchase. This is also challenging because of inflated expectations. The market's response to a change in pricing is called "demand elasticity," and it is crucial knowledge for marketers to have (Yannelis, 2016).

These days, pricing theories take into account the fact that businesses care about more than simply making a profit; they also want to increase their sales, customer loyalty, market share, and positive employee relations. Consumers' decisions are heavily influenced by their demographics (income, education, occupation, etc.), the marketing they're exposed to, and the way things are presented in stores (Chepkemoi, 2020). The theory holds true in an ideal market, but in practice, factors like product quality, customer satisfaction, and brand loyalty may all have an impact on price. Because the current market is so fluid, many economists and entrepreneurs believe that the consumer is no longer the central focus of pricing strategies.

SME management may decide against expanding despite the fact that profits are essential for success in a cutthroat industry. The cost of goods sold is necessary but not sufficient for sustainable profit. Profits might be impeded by obstacles to entry, but they could also be decreased by innovative management. The risk and reward associated with growth may be excessive for a high-profit firm, such as a "lifestyle" SME, compared to a low-profit company. Profits from today may be traded for gains from tomorrow. An early decline in profitability may be required to get a higher market share. The inter-temporal profit trade-off will likely be dictated by the preferences of the SME manager's personal schedule.

The (static) neoclassical profit function of a fully competitive company relies on output and input prices and 'technology' or, in the limited form of the function, fixed inputs as well. It is vital to standardize profit performance depending on the size of an activity or its resources. Most return-on-investment equations include a specification derived from portfolio theory (Kumburu, Kessy & Mbwambo, 2019). It is anticipated that systemic risk would cause cross-sectional returns to vary across sectors. Capital-intensive enterprises will need increased accounting profitability. Under this circumstance, it is difficult to determine rates of return using accurate (or any) metrics of capital. Hence, a profit–turnover dependent variable generated from output-selecting Cournot-Nash 5 businesses is used here (Kumburu et al., 2019).

Both the cost-plus pricing strategy and the competition-based pricing strategy are analyzed theoretically as part of this study's framework. It shows the connection between SME pricing strategies and results, which helps researchers determine the best approach for pricing the products in question.

3.3 Resource-based view theory

In the 1990s, the resource-based view (RBV) of the organization, often known as the resource-advantage hypothesis, was the prevailing school of thought in corporate strategy. Concerns have been raised regarding the positioning school's prescription-based approach to management and its focus on external issues like industry structure. This so-called "placement school" dominated the market in the 1980s. On the other side, the resource-based approach emphasized building up one's strengths rather than trying to overcome weaknesses.

The RBV defines a resource as a "source of competitive advantage" if it contributes to the company's success, stands out from the crowd, and is hard to replicate (Chumphong et al., 2020). Valuable, rare, unique, and irreplaceable (VRIN) resources are essential to a company's success and long-term growth (Mat et al., 2022). Intellectual assets that are difficult to reproduce are more common in businesses that depend on precious, costly, unique, and non-renewable resources (Chumphong et al., 2020). Careful hiring, greater opportunities for skill development, and increased motivation are all examples of human resource management techniques that may help businesses generate such assets in-house. The cumulative effect of these methods is substantial (Chumphong et al., 2020). With using their own resources, small businesses may produce higher-quality goods and services, ensuring their continued success and growth (Mat et al., 2022). These in-house assets might be important in keeping a company afloat and inspiring new ideas.

A detailed conceptual framework linking resource-based vision to SME performance was offered by Barney et al. (2021). (Hitt and Ireland, 2017; Penrose, 2020; Wernerfelt, 2016). According to the aforementioned scholars, a company's competitive advantage and profitability are influenced by a wide range of factors, just one of which is the enhancement of the efficiency of its auxiliary resources (Makadok et al., 2018). According to RBV, the ability to give something that no one else can is essential for creating long-term value. Although there is a wealth of literature on the topic of strategic and marketing capacity, very few studies have examined the emergence and evolution of pricing capabilities, much alone established an empirical connection between these factors and performance.

The RBV is a novel, multidisciplinary strategy for dealing with difficult problems. The resource-based strategy has its roots not just in marketing and supply chain management, but also in economics, ethics, law, and management. For the sake of efficiency and competitive advantage, RBV may assist a business determine how best to use its internal resources. Valuable, rare, imperfectly imitable, and irreplaceable resources are the basis of sustainable competitive advantage (Zaini et al. 2018). (Now often referred to as "VRIN criterion"). It is recommended by the resource-based approach that organizations develop unique, firm-specific core capabilities in order to compete successfully.

Management's principal job is to understand and arrange resources to generate a sustainable competitive advantage, according to the "resource advantage viewpoint," a term with several connotations in the academic literature. A company's resources consist of its money, legal protections, employees, systems, data, and connections. Jay B. Barney, George S. Day, Shelby D. Hunt, G. Hooley, and C.K. Prahalad are just few of the prominent figures who have made significant contributions to their respective fields (Barney, 2001; Day, 2014; Hunt, 1997; Hooley et al., 1998; Conner & Prahalad, 1996).

Edwards (2021), a London School of Economics economist, conducted two interviews with British manufacturing company leaders to learn more about how prices are established there. An example quote from a director: "If we know that a rival model sells for £X and our features are worth a bit more, we may estimate that the maximum price we are likely to get for our product is £X + £Y." [Edwards, 2021). If you've read anything by Nagle and Holden, you know that their notion of economic value is quite similar to the idea of consumer willingness to pay (2016). According to Edwards (2019), the second director under scrutiny, the amount that consumers are willing or obliged to pay is one of the most important parts of price-fixing (Edwards, 1952, p. 303).

Soon after, Bau et al. (2019) brought to light how the business graveyard is littered with the remains of organizations who tried to set prices based only on costs. It has long been acknowledged that pricing based on value enhances performance, while price based on cost reduces profitability (Ingenbleek et al., 2019; Monroe, 2016). Yet, empirical evaluations of these concepts are scant: "little research is available that compares the utility of different pricing strategies" (Myers, 2014 p74). In the subsequent investigations, inconclusive results were discovered.

In an analysis of 404 US exporting firms, Cavusgil et al. (2020) found a second highly profitable cluster of firms that used demand-related information for pricing purposes and avoided cost-plus pricing approaches; the authors also found a third highly profitable cluster of firms that used demand-related information for pricing purposes and avoided cost-plus pricing approaches. Hattie et al. (2004) found that companies are more successful when their pricing strategies are in line with their long-term objectives, whether those objectives are related to increasing sales, increasing profits, or increasing market share. Success of new products was investigated by Ingenbleek (2015), who found a correlation between price strategy and sales. Can you explain the role that pricing strategy plays in determining a company's bottom line? To begin with, we will look into this inquiry. How does pricing strategy relate to a company's bottom line?

Most literature on strategic management and strategic marketing focuses on creating a long-term competitive advantage. Utilizing a strategy based on resources, strategists may discover factors that might be used to create a market advantage. From a resource-based perspective, we observe that not all resources are equally valued or capable of giving a sustainable competitive advantage. Competitive advantages can only be maintained if they can be duplicated or replaced. Barney and others note that it may be challenging to draw the links between benefits and successful remedies. As a lot of management effort is required, it's important to identify, analyze, and classify essential skills and knowledge. In order to maintain the company's most valued resources throughout time, leadership must invest in their education and growth.

The firm's RBV is acknowledged as the most prominent framework for understanding strategic management (Alverez & Barney, 2017) and is used to characterize and operationalize competitive advantage constructions. The key to competitive advantage is sustaining the advantages earned from better resources. The resources and skills of a corporation provide a consistent competitive advantage., which include managerial skills, organizational procedures, and skills, data, and knowledge (Barney et al., 2021).

The success of certain companies in a given industry while others struggle is partially explained by resource-based ideas (Miller, 2019). The company has been working to get an edge in the areas and industries it serves by using its own internal resources. The idea holds that a company may maintain its competitive advantage without using all of its available resources. Valued, distinctive, non-substitutable, and non-transferable assets are essential for a company to maintain a competitive advantage and generate above-average earnings over the long term (Barney et al., 2021, Gamble et al., 2019). Companies have varying levels of resources and competencies, which is why they perform in various ways. Having a momentary edge in a certain market or business, such as earning above-average pay, may be seen of as a definition of short-term success. According to Fahy and Jobber, the theory's fundamental tenets include a company's ability to sustain a competitive advantage over the long term, the characteristics of advantage-generating resources, and the strategic decisions made by top management (2019).

Businesses nowadays mix many resources to get a competitive edge. Than et al. (2019) quote Black and Boal, who argue that different organizations have different resources and competencies, which might lead to improved performance and, ultimately, a competitive edge in the market. In business, strategic resources are those that are indispensable yet either hard to replicate by rivals or impossible to sell. The three most prevalent forms of assets that organizations have and employ for their operations are physical assets, intangible assets, and external assets, as stated by Hunt and Madhavaram (2014).

Tangible assets are those that can be seen, handled, and evaluated (Evaldo Fensterseifer & Rastoin, 2013). shares of stock and financial assets are examples (Debtors and creditors, funds on hand and in the financial institution). There are real and intangible assets in the world, like as trademarks, patents, brands, and goodwill. Reputational resources include networks, individual and group talents, interactions, and the organizational routines and processes used to organize and manage these resources (Evaldo Fensterseifer & Rastoin, 2013). In addition to relationships with and information obtained from suppliers and customers, competitors and other organizations, external resources also include information from suppliers and customers, rivals and other organizations.

3.4 Marketing-mix model

Jerome McCarthy proposed the marketing-mix concept in 1960 (Zhang, 2021). He recommended that businesses prioritize their ambitions to expand into new markets and improve their customers' experiences. Although though most SMEs face price difficulties, very little study has been done on pricing, since most studies have focused on items, marketing, and positioning.

Product, distribution, promotion, and pricing make up the four pillars of the marketing mix and must all be present for the strategy to be considered successful. The marketing mix is the set of coordinated actions used to achieve a company's marketing objectives by satisfying existing customers and attracting new ones. A company's marketing mix is comprised of many tools and strategies used to help customers achieve their (local) needs and the company's objectives (Iorait, 2015). A company tries to sell its goods and services using a number of the marketing mix solution variables identified by Garg et al (2016).

The marketing mix is developed from the one P of microeconomic theory (price) (Thabit & Raewf, 2018). With the "marketing mix" or the "4Ps," you may implement your marketing plan. Rather than a scientific theory, it is a framework for considering how organizations modify their goods to satisfy consumers' preferences and requirements. With these techniques, both long-term and short-term strategies may be built (Thabit & Raewf, 2018).

In order to achieve marketing objectives, the whole marketing mix must be used, beginning with the development of the product and ending with the satisfaction of the client. The extent to which a firm is able to attain marketing excellence is directly related to the quality of its marketing management. The "marketing mix" refers to a set of seven interrelated marketing components. If you want to achieve many market objectives and get the intended outcome, you need an effective marketing mix. A marketing system's competitive advantage may be broken down into its constituent parts: product, price, location, promotion, people, process, and hard evidence.

Hence, in order to fulfill client demands, a corporation must make judgments about the product, its pricing, where and how it will be disseminated and promoted; these four aspects are collectively known as the "4P" marketing mix (Gunawan, 2018). This marketing mix is enhanced with people, procedures, and physical proof by scientific publications and some writers. In scholarly literature, this is characterized as a "7P marketing complex." Marketing activity planning may be used in all aspects of the marketing strategy.

There are still many challenges that await those who take the risk of starting their own AMEs. When it comes to promoting products, the old methods are still in use. They include advertising just a small selection of products, prioritizing low costs over high-quality goods, and promoting with an air of unplanned spontaneity. Restrictions on advertising and rivalry also pose a serious concern. According to the Central Statistical Organization (2018), marketing is especially difficult for SMEs.

Studies show a connection between strategy and performance, even if there is frequently overlap between the firm and functional levels (Madsen & Walker, 2017). They first looked for overarching strategies that could be applied to a variety of situations, and then they built a theoretical framework for building industry-specific strategic groupings and used it as a guide. Similarly, the generic strategy typology proposed by Rathwatta and Samudrage (2019) has been extensively researched in both competitive and marketing settings. According to Porter, low-cost manufacturing and product or service uniqueness may both boost a company's success, and a concentration on a certain market sector can supplement either strategy. In order to set themselves apart from the competition, businesses that have an edge in the market should make marketing a top priority. A product's positioning and demographic are in line with Porter's idea of focus orientation.

The marketing strategy and tactic, customer impact, customer association, customer attitudes and attachment, customer experience, marketing assets, and market impact such as elasticity literally less small, degree of retention, and length of allegiance are all outlined in Madsen & Walker's (2017) chain of marketing productivity model. Performance marketing, as defined by Madsen and Walker (2017), is defined as the contribution of marketing strategies and the production of value to the profitability of an organization as measured by sales, operational profits, and market share.

According to Ebitu, Glory, and Alfred (2016) and Haghighinsab and Nabizadeh, growth, market share, and profitability are the three pillars around which success is built (2018). As market indicators go up, business is doing well, and vice versa. SMEs are measured not only by their efforts but also by their outcomes. This reason takes into account both meeting expectations and finishing an unbiased appraisal and setting. When proper management is in place, expected production levels are reached, and when it isn't, they aren't. This ties along with the idea of putting the client first. In other words, it's a tactic that facilitates two-way communication between a company and its customers, turning marketing into a potent competitive weapon. The effectiveness of SMEs is increased when management's views on marketing approaches are consistent. The success of a company may be influenced by a number of factors, including product quality, pricing, marketing promotion, product delivery efficiency, and relationship marketing.

3.4.1 Product development and SME performance

Kotler et al. (2017) define a product as everything that may be offered to consumers in an effort to satisfy a demand or need in that market. For the purposes of this article, "product" will be used to describe any tangible good or service that is sold to a paying consumer. Includes both material goods (like furniture, clothing, and food) and immaterial ones (like services) (Othman, Harun, De Almeida & Sadq, 2021). The product, say Ndegwa et al. (2020), is the marketing strategy's lynchpin. Products are "what may be offered to the market in order to draw attention, to be the purchase of used or used, and to meet the needs or requirements," as stated by Nasution et al. (2020). To better understand the nature of the product, the literature was found to be dominated by a narrow "product" definition of perception.

The product's impact on sales is substantial (Gbolagade, et al., 2020). But quality must ever be at odds with the other elements of the marketing mix. A premium price approach may need a high-quality product. Consumers shop often, often in advance, and form opinions about businesses based on a variety of factors, including cost, quality, and aesthetics. The price, brand, size, and availability of a product all play a role in determining whether or not a consumer decides to make a purchase (Kotler et al., 2017). The outward appearance, packaging, and labeling of a product may all have an effect on how customers respond to it (Mustapha, 2017). Impacts of products have been demonstrated to have a significant influence on business outcomes in several research (Owomoyela et al., 2018).

3.4.2 Pricing strategy on marketing performance of small business

The marketing idea includes everything in the marketing mix, from research and development of products to service after the sale, with the goal of satisfying customers. Marketing management plays a crucial role in determining whether or not a firm achieves marketing greatness. The marketing "mix" consists of seven interrelated marketing elements. There are various objectives that may be accomplished in the market, and an effective marketing mix is the mixture of marketing strategies that best accomplishes those objectives and produces the intended result. The marketing mix includes the following elements: product, price, location, promotion, people, process, and proof.

A fair price for such a high-quality product is reflected in the asking price (Khrueanugool & Chetthamrongchai, 2022). According to Kotler and Armstrong, pricing entails determining how much customers are willing to spend on a product or service and what concessions they are willing to make in exchange for that price. Hence, the cost of bringing in a new consumer is an example of a direct expenditure. "The price may also be regarded as the monetary representation of value that the client agrees to pay," writes Entrepreneurship Academy (2012). The price of a product is determined by a variety of factors, including the amount the customer is expected to spend. Everything else in marketing is determined solely by price. Buyers place a high value on price information since it helps them determine whether or not a product is really a good deal. The price that businesses set to distinguish and maintain control over their products is another metric that may be used to establish value (Hunelegn, 2019).

The "price" of an item is the sum total of its production, transport, and advertising expenses. Lee and Chan (2018) defines that a product's price has a major role in how much it is valued. Specifically, Amin and his colleagues found a strong correlation between price and a company's financial performance (2021). What you charge for your goods or services might have a major impact on how well they sell in the marketplace (Daniel, 2018). Sales volume changes in response to price changes occur more quickly for widely available and accepted products and services (Kalaignanam et al., 2021). An item or service's price elasticity is affected by supply and demand, the availability of substitutes, and their prices (Agrawal & Yadav, 2020). Your prices will be pushed down if there is an overabundance of supply on the market from competitors and substitutes (Daniel, 2018). Price elasticity is high when demand is higher than supply, which means you may charge more for your goods or services without losing customers (Taurus et al., 2016).

The entrepreneur has some influence on the pricing element. Even if there are several value propositions, small firms may have the greatest chance of success by competing on pricing and offering clients with superior value. Customers might be provided with "additional value" through upgrading customer service, enhancing product expertise, or expanding strategic locations (including going directly to the customer). Price at the high end may also be a successful market entrance strategy for a new firm, particularly if the client perceives that the product or service provides better value. In some circumstances, business owners may think their clients would always purchase based on the lowest price. Contrary to common assumption, consumers will often pay much greater rates for superior service, superior quality, a preferred brand or image, and customer convenience.

3.4.3 Promotion strategy and performance of SMEs

Using the right marketing communication strategies seems to be the key to successfully conveying a product's message and brand to the consumer. Promotions are an essential part of any comprehensive marketing strategy, and small businesses are no exception. Integrated marketing is an approach that seeks to coordinate all of a business's promotional efforts under one umbrella. Amin (2021) agrees, defining marketing as "the process of influencing customers to spread the word about a product." It seems to be a difficulty for the promotion to find the best marketing mix to carry the product's message and brand from the producer to the consumers. Product marketing mix elements such as the company's special mixture of advertising, personal selling, sales promotion, public relations, and direct marketing are more important, as stated by Kotler (2013).

According to Mustapha (2017), a small business might benefit from specific sales campaigns that help boost sales in new regions. Another successful strategy for attracting new customers is to advertise. The vast majority of small firms rely on in-house staff to promote their wares. Bakers use labels and flyers to advertise and distinguish their products. It was found by Ogundele, Fadel, Braitstein, and Di Ruggiero (2021) that the companies they studied used selective appeal in their marketing. Promotion consideration has a strong but negative correlation with company success, as shown by Gbolagade et al. (2018). In the business world, there is a strong negative correlation between thinking about one's career path and the success of the organization as a whole. One possible reason for this is because customers who see an item advertised heavily may assume that it is of lower quality, has already expired, or is being sold at a discount. Consumers' persuasive knowledge is another factor working against ads (Lee & Joo, 2021). So, budget shoppers could be put off by all the promotion, thinking the products are being sold for more than they are worth.

3.4.4 Distribution strategy and SMEs business performance

Amanah and Harahap (2018) state that there is a plethora of channels via which consumers may purchase goods and services. The word "distribution" is part of their definition as well. They define that the purpose of the marketing mix is to provide customers with several options for purchasing goods and services. According to AlJazzazen (2019), the placement or distribution of a product entails a number of different parties working together to make the product available to the final consumers. Marketing distribution channels, such wholesalers and retailers, are essential to the placement strategy. According to Amin, a company's location is one of the most important factors determining its success (2021). When it comes to the marketing mix, some companies base crucial decisions on where to set up shop.

Wanyonyi, Gathungu, Bett, and Okello (2021) argue that the pricing strategy component of the marketing mix significantly affects a company's bottom line. Market mix theory also covers products, promotions, and places of business. While pricing theories may provide light on fundamental economic connections, they are not beneficial for addressing practical pricing problems. Because of the importance that company owners place on pricing decisions, more research has to be conducted in this area so that pricing strategy decisions may be informed by the best available data. Price is a fundamental problem in the banking industry, and hence this hypothesis is significant to the study (Pai Bir & Mayur, 2019). Price, in addition to product, promotion, and positioning, has a vital influence in expanding customer base and market share, which leads to increased profits, as stated by Wanyonyi et al. (2021). How price fits in with the other three Ps (product, promotion, and place) is a topic explored in the market mix hypothesis. Because it discusses pricing as an element of the market mix, this theory draws no correlation between cost and output. That's why it's crucial to investigate how various pricing strategies affect a company's bottom line. The theory emphasizes the relevance of pricing as a marketing concept, which is crucial. Yet rather of linking prices to profits, it emphasizes advertising. Hence, it is important for a company to assess how its pricing methods affect its bottom line.

Each of these concepts, then, adds to the theoretical foundation upon which this investigation rests. As a company or corporation can't function without profit, that's where the maximization of profit hypothesis starts. The survival of a business is inextricably linked to its financial viability. Using a Resource-based Perspective emphasizes the value of an organization's assets and capabilities in achieving success. Profit efficiency, as opposed to more traditional financial or accounting metrics, is a more accurate way to quantify the heterogeneity of a company's performance due to the limited mobility of its assets and skills.

3.5 Chapter summary

The research here integrates resource-based and profit-maximizing perspectives. This study incorporates ideas and theories from a number of different fields of study. The primary goal of this study is to explore the processes through which businesses evaluate and improve their pricing strategies, as well as the effects of these strategies on their bottom line. A company's ability to set or adjust prices is seen as a strategic asset in the resource-based pricing approach. Although it's true that a company's market worth increases as it finds new ways to delight its customers, we argue that this doesn't mean it can keep all of the profit it earns by setting fair prices. Instead, businesses need to figure out how to use these abilities into their pricing systems to be successful. For a firm to make informed pricing decisions that won't hurt its bottom line, it's important to understand all the variables that play a role in setting prices. To better understand how to develop pricing strategies that are in line with company development and positively affect the overall performance of SMEs, it is important to combine elements of Resource-Based Theory and profit-Maximization Theory.

CHAPTER 4

EMPIRICAL LITERATURE

4.1 Introduction

Below, we will take a look at the studies that formed the basis of this investigation. An overview of the pricing literature is provided to kick off this chapter. It highlights the need for, and the dearth of, study on pricing practices among SMEs. Previous research that has been published in the relevant literature supports pricing objectives, pricing strategies, and the factors that effect these areas. Here, we focus on SMEs and the unique pricing challenges they face. The focus of this research is not on the nature of SMEs per such, but on the methods, they use to set prices.

4.2 Price

Price, as defined by Gundlach et al. (2017), is the sum for which something is offered for sale or exchanged, regardless of its value to the buyer. Even if a monetary value is not ascribed, products that are traded may nevertheless have a price. The price of a product or service is directly proportional to the value it provides to the buyer (Ahmed et al., 2021). Moreover, they contend that the price may already contain items that were traded in (Brand et al., 2018). According to Waheed et al. (2017), pricing decisions within an organization should be seen as a trade-off between the potential gains for the business and the person and the cost of inaction.

Experts agree that a company's capacity to make smart price decisions is fundamental to its success. Moreover, Vosooghi and Hemmati (2021) state that pricing is the only part of the marketing mix that generates income, while the rest of the mix is mostly concerned with cutting expenses. According to

Indounas (2020), adjustments in pricing may be done far more quickly than changes in other parts of a marketing strategy. Establishing prices based on what customers are prepared to pay means businesses miss out on opportunities to shape their image in ways that boost sales and satisfaction (Indounas, 2020).

Notwithstanding the fact that a monetary equivalent or value may be ascribed, the definitions demonstrate that prices can include the transferred items. Automobiles, for instance, might be traded for comparable deals. In other words, the price of an item reflects the amount the seller expects to gain by selling the item to the buyer. Depending on the context, the word "price" may have a number of different meanings. There are price comparisons for an apartment, a doctor's charge, a toll on the road, a broker's commission, and taxes for the government (Indounas, 2020). Several organizations use fees, charges, and subscriptions, among other terminology (Arthur et al., 2018). On both sides of a transaction, the word "price" has a variety of distinct connotations. There are various factors to consider when determining pricing, including the amount of profit a supplier, manufacturer, service provider, or retailer will earn. In addition, it notifies the buyer of the price, but often not in terms of immediate cash payments (Elena, 2018).

Price is understood differently by the vendor and the purchaser. The significance of price depends on the buyer's and seller's perspectives. The buyer's expenses may include monetary, time, energy, and psychological charges. The seller's perspective takes into account both internal and external factors. Internal effects include pricing targets, marketing mix objectives, and information technology. Market structure and competition are examples of external factors. Price objectives may be business-, market-related or competitive-related. Selling strategies that include setting prices often help businesses succeed. Customers with less disposable income have to pay more for items. This highlights the need of defining pricing from the perspective of a variety of audiences and settings. Regardless of the seller's and buyer's pricing stances, it is important to assess whether or not sufficient value is being extracted to justify the price. It is the duty of the vendor to enhance their wares so that the purchaser is satisfied with the purchase. While setting a pricing, a company is trying to keep some of the value it produces in the market via the other two parts of the marketing mix (promotion and product features) (product, promotion, and distribution).

4.2.1 Importance of pricing

According to some experts, price has long been regarded as the most crucial marketing strategy variable. Price choices are influenced by a range of variables and are crucial to a company's market performance (Sunarni & Ambarriani, 2019). Price-quality connection, product line pricing, explicability, competitiveness, negotiating margins with intermediaries, influence on distributors and retailers, political issues, making better profits and charging lower prices (Werner, Carlsson, Ahlstrom, & Bostrom, 2021). Price has traditionally been the most influential element in shaping customer choices for commodity items and disadvantaged countries and groups. In the case of non-profit organizations, the price has a second impact on whether or not the group can generate sufficient funds to reach its goal. Due of these two functions, setting a product's price is a vital marketing choice (Kunjal, 2021). No matter how skillfully the product is delivered or how successfully it is conveyed, all other efforts will be in vain if the price is wrongly established. The long-term success of a business hinges on making prudent price selections. Regarding cost, Baker (2017) describes it as "the moment of truth."

Cant et al. (2017) argue that pricing is the most important factor in the marketing mix since it directly impacts the number of units sold and the money made. The fact that it may have a tangible effect on profits is what makes it so important. As pricing has such a significant impact on a company's income and profits, Jain and Hazra (2019) suggest that it is an important strategic choice for businesses worldwide. Often, the cost of an item reflects how well it is made. To make a profit, according to Jain and Hazra (2019), a company's standard selling prices must be above its total operating expenses. Management must pay close attention to pricing since it has a direct impact on profits, say Marx et al. (2019). According to Asare, a company's gross profit margin is influenced by both selling prices and inventory expenses (2016). According to Doyle, a company's short-term and long-term success depend on its pricing strategy (2021). As stated by Mistry et al. (2010), "return on investment is proportional to price" (2018). The success of a firm is directly proportional to the accuracy of its product and service pricing (Czinkota & Ronkainen, 2022).

Its capacity to produce income via price, as well as its breakeven point, profitability, and success or failure, are all impacted by pricing. Controlling the company's overall objectives is also facilitated by pricing. To everyone involved in the deal, it's a treasure trove of data. Consumers might use the price to evaluate whether or not they are able to purchase the item. If buyers believe that all of the products are of same quality, they may use price as both a value signal and a differentiator. Consumers will choose to spend less for identical things in the banking industry, for example, if they perceive that the service would remain the same (Czinkota & Ronkainen, 2022). While deciding on a strategy, it's crucial to keep these things in mind. As a result, it is crucial to understand the connection between price and pricing strategy before making any changes to the business. The management of SMEs must understand that effective pricing is possible only when the right pricing methods are used. In order to create interest, sales, and revenue, a product's price must be commensurate with its worth.

Pricing presents a unique challenge since consumers often use price as a surrogate for the real expenses and quality of a product. In order to create interest, sales, and revenue, a product's price must be commensurate with its worth. When there is a large range in price or quality within a given product class, or when it is otherwise difficult for consumers to make a distinction, the price may serve as the most reliable indicator of quality to the customer. Product pricing has to be carefully considered because customers see price as a quality indicator and because pricing plays a role in setting consumers' expectations for product quality (Czinkota & Ronkainen, 2022).

Demand is significantly affected by the price of products. Product pricing is a major factor in consumer decision-making (Hind & Smit, 2018). Chung (2021) argues that price has an effect on demand and is therefore a powerful tool for increasing market share. Companies with a track record of market domination may use such strategies to keep new entrants out of the market or drive out established ones. This may depend on a range of factors beyond just cost (Lewis et al., 2020). Predatory pricing, as described by Cronje et al., is used to deliberately harm other businesses in an effort to force them out of the market (2018). Airline companies often use this pricing strategy to keep up with the competition brought forth by new entrants to the industry.

The price paid substantially facilitates a buyer's capacity to make an educated selection. A product's perceived worth may assist purchasers in determining whether they are willing and able to pay for it. A product's pricing may also increase demand and assist managers in estimating demand at a particular price. Pricing based on perceived value may play a significant influence in influencing whether a consumer will purchase a product. Costs are essential, but they must be examined with the product's value in the marketing mix. Consumers may be discouraged from joining the market by the price techniques used by SME management. In addition, businesses need to make sure that their prospective competitors don't have any advantages that might set themselves apart from them or drive them to lower their pricing to compete.

An individual's perception of worth may be especially important to sellers in such a market. The company has to create market value before it can maximize its financial outcomes by raising revenues and profits. To do so, it may be necessary to take into account both prices and customer interest. Consumer interest is the driving force behind a product's sales and bottom line. It's been common knowledge since the dawn of time that prices set the pace for economies. Prehistoric works address research on what a fair price should be. Economic activity is still largely determined by product prices (Boone & Kurtz, 2017). It has been shown by Stiglitz and Driffrill (2017) that when supply and demand are allowed to find their own equilibrium, prices accurately represent scarcity. To rephrase, pricing levels tell us a lot about the state of the economy. Businesses and individuals alike have more reason to practice cost-cutting measures as the price of both inputs and outputs continues to rise. When resources are scarce, prices incentivize the economy to make the most of them in these and other ways.

In Varian's view, there are two distinct purposes for market pricing (2019). There is an allocative function and a distributive function that prices play. When there is a mismatch between supply and demand, prices may be adjusted to level the playing field, say Gattorna and Ellis (2022). The pace at which general prices rise and fall on a yearly basis is known as inflation (Fourie & Umeh, 2017). The nation's competitiveness improves when inflation slows. Because of price volatility, autonomous forces partially negate the revenue mechanism. Competitiveness is determined by how domestic prices compare to those of other countries; a country with a trade deficit often has falling inflation (Kreinin, 2021). Mohr et al. (2016) state that national accountants may utilize product prices to determine production value.

Cost is a general term in economics (Mitchell, 2018). It provides data crucial to understanding the economy. The news educates the public about current economic issues. Price terms include inflation and gross domestic product. Manufacturing parameters may be inferred from price. Money made through rent on land and water, interest on investment, wages for employees, and sales are all necessary costs for every business (Mitchell, 2018). As prices go up, people have less money to spend, but when they go down, they have more. In economics, these phenomena are referred to as inflation and deflation, respectively. The contribution reflects both pricing strategies and the value consumers place on products, even if the economic data does not define price approaches. The national economy may be affected by pricing policies. SMEs (SMBs) may have an effect on inflation, GDP, and other economic indicators via the prices they set.

The SME factor's contribution to the national economy might be impacted by a change in pricing strategy. The inflation rate might be affected by a variety of pricing strategies. The technique's efficacy should be reflected in the product's marketability and financial success. It is possible that pricing strategies that do not optimize profits need to be adjusted. Prices in economics and commerce reflect the worth that individuals place on various goods and services. Customers' ability to see value may have a negative impact on demand, sales, and profit. It is surprising that pricing has not been discussed more extensively in marketing journals, given the obvious importance of price to a company's bottom line. Less than three percent of papers in Industrial Marketing Management dealt on pricing (Murfield et al., 2021). As Indounas points out, price is often overlooked in the marketing mix (2015).

4.2.2 Pricing objectives

Alschner et al. (2017) mention a failure to prioritize price as a problem. Pricing objectives in a marketing strategy are quantitative and qualitative operational objectives. Often, new firms have a variety of objectives, some major and others secondary. Then there are long-term effects. Price objectives may include discouraging new entrants, avoiding price reductions, and stabilizing market pricing. The ultimate objective of pricing, according to Strydom et al. (2021), is to accomplish the enterprise's objectives, profitability, and social duties. Business objectives and market factors impact the selection of pricing targets.

According to Avlonitis and Indounas (2005), price objectives are what ultimately guide pricing strategies and methods. It's possible for a company's stated objectives to include both quantitative and qualitative price targets. The fundamental benefit of quantitative objectives is their quantifiability, which includes profit, sales, market share, cost coverage, and production output. But a company's long-term market position might suffer if its leaders just focus on quantitative objectives. Relationships with customers, competitors, and distributors; the continued existence of the business; and broader social and ethical objectives are examples of qualitative objectives that are more difficult to quantify.

Pricing objectives direct pricing strategies, policies, and methodologies. Price objectives direct action. They should contribute to the company's and marketing objectives. Pricing techniques may become ineffective if inaction is taken. Price objectives should be defined openly so that pricing techniques may meet pricing objectives and, ultimately, corporate objectives. If the pricing targets and prices are reasonable, it is possible to generate adequate demand. The generation of value should be included into pricing objectives and choices.

Phalan et al. (2016) argue that pricing objectives should be clear, attainable, and quantitative. Price objectives that are more realistic need regular strategy reviews. Differentiating between profit-driven, sales-driven, and status quo pricing objectives is possible. Optimal profit, acceptable profit, and return on investment objectives all fall under this category. Market share, monetary value, and unit sales are employed as sales-driven price objectives. Pricing in line with the status quo attempts to keep prices at or below those of competing products.

A marketer's decision to establish a certain pricing is informed by a number of factors. To name a few: demarketing, cost recovery, enlarging the pool of potential users, promoting social justice, and maximizing profits (Dura & Turrión-Prats, 2022). Reaching low-income or vulnerable groups is crucial for social justice, and pricing structures should reflect this. The de-commercialization of a social good via the use of market pricing (Fachmi et al., 2021). Price strategies may be used to achieve objectives including expanding market share, becoming the industry standard in terms of product quality, and staying in business, as stated by Dinsmore et al. (2014). Product positioning in the context of rivalry is discussed by Paley (2019). To this, picture upkeep is included by Van der Westhuyzen and Van der Menve (2017). According to Doole and Lowe (2020), a product's price acts as a barrier to entry and a means of quick cash recovery.

Objectives in pricing vary on the industry and the preferences of the management. In order to make money back on the goods, a high price may need to be set. To increase sales, decrease competition, and entice potential buyers, you need to provide a low price (Craven et al., 2020). Objectives other than profit maximization, cost recovery, market incentives, and suppression of the market might inform pricing strategies. In the marketing of non-profit organizations, cost is frequently a deciding factor. It's possible that a price strategy may help these companies reach their objectives. While not-for-profits aren't required to do so, they generally try to squeeze as much money as possible out of a single or series of fundraisers. It's a constant struggle for many of these groups to even break even. In order to increase product consumption, some businesses provide below-average prices or a free service. The high cost might discourage customers from using the product. In addition to covering the cost of goods, high prices may also help achieve social objectives (Wong & Zeng, 2015).

4.2.3 Pricing strategies

Pricing strategies are techniques and policies for determining prices. Yet, the study focuses on market-skimming and market-penetration techniques. The pricing of new products permits price umbrella building and price skimming. Short-term skimming pricing is effective when a new product is highly unique, difficult to replicate, and offered to a quality-conscious market with no significant competition. To create a cost advantage, a penetration strategy may be necessary. Skimming and penetration pricing are influenced by costs. To maximize profits, their pricing strategies are cost-based, market-driven, and competitive. Management of SMEs may employ the methods to get an edge over rivals and attract consumers via value and pricing.

Hinterhuber (2017) argues that a company has to determine where the price fits into the bigger picture of the product's marketing strategy before setting a price. The terms "skimming," "penetration," and "neutral pricing" come to mind. Pricing may be used to attract a certain demographic of clients, as the primary strategy in expanding the company's customer base, or as an afterthought. As the name implies, skim pricing is charging more than is reasonable in the hopes of profiting from the insensitivity of a small percentage of potential buyers to price. These prices are much lower than their true value in an effort to boost sales volume or market share. When prices are neutral, neither the seller nor the buyer is using them to gain or lose market share. Adopting the appropriate price at the ideal time is crucial to the success of a pricing strategy, say Miano et al. (2019).

4.2.3.1. Skimming and prestige pricing

Price skimming is a tactic used to market luxury goods to price-sensitive buyers. At higher price points, if demand is inelastic, skimming is more attractive. Profits may be maximized for new items by skimming, particularly if there is no competition. Some opponents say that corporations shouldn't attempt to maximize profits by under-pricing a new product with substantial societal significance (Jin et al., 2020). It involves fixing a price within a suitable range, sometimes for a little period of time and sometimes for a longer period. It is often connected with new items, although not necessarily (Elena, 2018).

The practice of charging a premium to indicate superior quality or prestige. Some target consumers are willing to pay more for the finest. Pricing is essential, but quality concerns prevent them from purchasing. The most popular prestige items include watches, jewellery, and perfume. Consumers who cannot examine a thing beforehand depend on its price to determine its quality (Jin et al., 2020). Both of them are skimming. They are both the market leaders. One provides premium products with less risk. The second performs the same function, but leverages the price to enhance status and prestige (Baker, 2017).

Price skimming is used by businesses when they anticipate that potential customers will view their items as distinctive (Lamb et al., 2011, p. 665). It only works if the company understands its clients are prepared to pay a premium (Lamb et al., 2011, p. 665). In the early stages of a product's life cycle, demand is inelastic (Pride & Ferrel, 2020, p. 600). Following the increase, the enterprises will drop their pricing (Lamb et al., 2011, p. 665). Most buyers are aware of the idea of price skimming (Toptal & etinkaya, 2015, p. 552). Surprisingly, most customers do not wait for the price to be reduced before purchasing goods (Toptal & etinkaya, 2015, p. 552).

Price skimming is used by marketers when "production cannot be rapidly expanded due to technological difficulties, shortages, or constraints imposed by the skill and time required to produce a product" (Lamb et al., 2011, p. 665)."If demand exceeds supply, skimming is a viable strategy" (Lamb et al., 2011, p. 665). When the breakeven threshold is reached, the corporation can recover the expenditures of product development and teaching (Lamb et al., 2011, p. 665).

They can target both high-priced customers and those on a tight budget by using price skimming (Lamb et al., 2011, p. 665). More rivals will enter the market because the price is high (Lamb et al., 2011, p. 665). Price skimming strategies must be used with caution since they may give competitors the idea that the product is thriving more than it is. Furthermore, there is a danger of underestimating demand and failing to sell enough at a higher price (Pride & Ferrel, 2020, p. 600). When pricing fresh products, it is best to evaluate both their value to customers and the prices of equivalent products offered by competitors (Pride & Ferrel, 2020, p. 600).

A price-insensitive niche only makes financial sense if there is more gain from selling to the larger market at a lower price. Customers that value a product for its special qualities are usually willing to pay any asking price. Skimming pricing is most efficient when additional unit expenditures make up a significant amount of a product's price, since even a little price premium increases the contribution margin. In order to maintain sustainable profits over the long run, a company needs shielding from the competition. Copyrights and patents provide some defense against rival businesses (Danes & LindseyMullikin, 2012).

Skimming the cream with care is required. They cannot disregard perceived worth, demand, and profits. They should be vigilant against rivals providing the same goods or a cheaper alternative. What counts is the price-to-value ratio of the product. Skimming is a method for pricing that captures value. The price objective should justify the pricing approach.

Prestige pricing is charging an exorbitant price in order to portray uniqueness and superior quality (Lamb et al., 2011, p. 652). To be effective, a prestige pricing strategy must link the retail price with the quality that clients anticipate to experience (Lamb et al., 2011, p. 652). When clients prefer to buy quality or durable things, a high price is a powerful indicator (Lamb et al., 2011, p. 652). Price increases can spur more innovation and the development of new technology (Kent, 1979, p. 4). Because pricey products are linked with superior quality, they elicit clients' joy, thankfulness, amazement, amusement, and serenity (Lamb et al., 2011, p. 652). The previously indicated hedonistic effect is attributed by experts (Lamb et al., 2011, p. 652). High costs may be preferred by utilitarian consumers to reinforce their self-worth and gratify their egos (Lamb et al., 2011, p. 652). People that buy these items want to belong to a high class and own rare objects that no one else has access to. This means that the price is exorbitant. One popular motive for purchasing luxury products is to demonstrate one's financial status to others (Lamb et al., 2011, p. 652). "Prestige products, such as selected perfumes and jewellery, sell better at higher prices than at lower prices" (Pride & Ferrel, 2020, p. 565). "The last factor influencing marketers' prestige pricing is the allocative effect" (Lamb et al., 2011, p. 652).

The last factor impacting marketers' prestige pricing is the allocative effect (Lamb et al., 2011, p. 652). Because of the allocative impact, customers must allocate their expenditures among various goods and services (Lamb et al., 2011, p. 652). Individuals who prioritise economic issues are less likely to indulge in expensive expenses such as fine jewellery, extravagant vacations, and other products that normally necessitate a higher income level. As a result, selling these goods or services in countries with large populations makes sense, and the upper class is a prominent target. For example, in Turkey, the overall populace is impoverished, yet there is a sizable upper class eager to pay for prestige items (Seker & Jenkins, 2015, p.402).

High-status products are monopolistic or oligopolistic (they have pricing control) (Kumcu & McClure, 2003, p. 51). When it comes to prestige pricing, it's important to remember that the demand curves aren't the same as they are under regular conditions. After reviewing numerous marketing textbooks on prestige pricing, it is widely assumed that the demand for luxury items is one-of-a-kind (Kumcu & McClure, 2003, p. 49). Unlike the conventional demand curve, demand for these products increases as prices fall but finally reaches a point where demand falls as prices fall further (Kumcu & McClure, 2003, p. 49).

It is crucial to emphasise that the notion that higher-priced products will necessarily result in lower consumer demand is only occasionally correct (Solomon & Stuart, 1997, p.410). Other aspects, such as perceived value, brand reputation, and unique selling qualities, might impact purchasing decisions and trump pricing considerations. As a result, firms must do extensive market research and analysis to identify the best pricing approach for their products. In the case of prestige items, people demand a product more as the price rises (Solomon & Stuart, 1997, p. 410). This indicates that the demand curve for these products is sloping higher (Solomon & Stuart, 1997, p. 410). On the other side, lowering a product's price may have the unexpected consequence of decreasing its perceived worth, ultimately leading to a decrease in demand (Solomon & Stuart, 1997, p. 410). The demand curve graph that bends backwards exemplifies the concept (Solomon & Stuart, 1997, p. 410).

4.2.3.2 Penetration pricing

By setting an initially low price, or "penetration price," a company may quickly gain market share. Competition is discouraged in areas where large economies of scale may be gained. To be effective, this strategy obviously relies on a significant increase in demand brought about by reduced prices. When a company has cornered a market thanks to penetration pricing, it might be tough for new entrants to break through (Sije & Oloko, 2013). Because of economies of scale, the more tickets you sell, the less it will cost you per unit. In the first few months after launching, a business can expect to face stiff competition (Jin et al., 2020).

According to Baker (2017), "penetration pricing" is when a company significantly undercuts the market, preventing competitors from responding. This causes a dramatic increase in business. In theory, the idea seems great, but in practice, it typically ends in disaster for companies who adopt it.

Penetration is a high-risk strategy, but with the right leadership, it may pay off. A pricing strategy that generates large volumes of sales but low margins may be more attractive under certain conditions. Costs of entry are relatively low in relation to potential benefits. Buyers' perception of a product's value in relation to its cost is crucial to increasing its market share and penetrating new markets. Penetration pricing can only work if a sizable fraction of the market is open to switching suppliers. Competition forces businesses to set prices that are competitive across a wide range of customers. Penetration pricing is only viable if competitors either refuse or are unable to undercut the strategy via price cutting. When incremental expenses are modest and each additional sale contributes significantly to profit, penetration pricing is more cost-effective. Even in the absence of a sizable contribution margin, penetration pricing may be useful if it results in significant savings in variable costs, allowing vendors to give discounts without reducing their profit margins.

The ultimate purpose of this strategy is not to maximise earnings, but to establish a new product or brand in the market (Vikas, 2011). Penetration pricing is the main method for all providers, regardless of whether the topology is close or random (Oliver et al., 2001). With this technique, the firm initially implements cheap prices to accelerate adoption or create a de facto market position standard de facto (Gottfried and Hans, 2008). Penetration strategy is successful at organisations that Scale provides a cost benefit (Tellis, 1986). The enabling circumstances for penetration low product difference, minimal product change, elastic demand, and a low factor all contribute to pricing capacity use (Noble and Gruca, 1999). Most frequently, penetration pricing is related with a marketing goal of expanding market share or sales volume. In the short run, penetration pricing will most likely result in lesser earnings than if the price were set higher. However, there are also major long-term benefits to having a larger market share, thus the price strategy is typically justifiable.

Penetration pricing is frequently used to assist the launch of a new product, and it works best when a product enters a market with minimal product difference and where demand is price elastic - therefore charging less than rival products is a competitive weapon (Jim, 2012). Another area where research is lacking is the ability to demonstrate the connection between SME performance and the penetration pricing strategy. Additionally, empirical study is still needed to determine whether the performance of business organisations as a whole and penetration pricing strategy are strongly correlated.

4.2.3.3 Neutral pricing strategy

Many companies' upper echelons believe that there are more effective or cost-effective ways to promote their products in the marketplace. As neither a skim nor a penetration strategy is suitable, the company opts for a neutral price attitude. For example, if the products are so similar that no sizable market is willing to pay a premium, the marketer may be unable to use skimming pricing. When a company is new to an industry, consumers may wrongly assume that a low price indicates a low-quality product. In addition, competitors may respond aggressively to any price that undercuts the current price structure, making it impossible for the company to implement a penetration pricing strategy. The sensitivity of consumers to price prevents skimming, whereas the sensitivity of competitors to growth in customer base blocks expansion. Neutral pricing is advocated for several reasons, including maintaining brand cohesion across a range of products. Neutral pricing may not be as proactive as skimming and penetration pricing, but it is just as tough and important. It's not necessary to match or even come close to the pricing of competitors. Depending on the market, it might be either the highest or lowest price available while still being considered neutral (Orlov et al., 2019).

4.3 Factors influencing pricing decisions

According to Benoit et al. (2020), marketing theorists have focused heavily on pricing. How management should settle on a pricing strategy is a matter of some debate. While studies disagree on certain details, they generally agree that efficient pricing requires juggling a number of moving parts. Good pricing, say Piercy et al. (2010), requires knowledge of the transaction itself. Product quality interacts with R&D cost recovery, distribution channel earnings, advertising budgets, and consumer perceptions of pricing as status or value.

Market price ceilings in any country are governed by three primary factors, as stated by Egilman et al. (2019). To begin with, there is the base price of the product. Second, a price floor is determined by the going rate for items that are otherwise equivalent. Each product's ideal price is set by the willingness and ability of potential purchasers to make a purchase. According to Machado and Cassim, (2020) cost and competition are the primary determinants of pricing.

According to Horngren et al., (2002) important impacts on price choices include customers, rivals, and expenses. In price decisions, managers should constantly put themselves in the shoes of their customers. It has an impact on price choices. To meet manufacturing expenses, goods are priced excessively. The analysis of cost behavior patterns reveals the revenue earned by different pricing and production quantity combinations for a specific commodity. According to Rysavy et al., (2021) numerous strategic aspects impact price. Legal and moral limits on substitutes. These include political acceptability, customer willingness to pay, and perceived replacement prices in the pricing activities of rivals. George (2016) recognizes both internal and external factors on price. They include business objectives and the marketing mix.

External factors like as demand, price elasticity, and consumer opinion must be taken into account when setting a selling price. The marketer has less sway on pricing because of how external factors impact it. The external pricing constraints, the price suppliers charge, and the price consumers are prepared to pay are all identified by Burtraw et al. (2020). Pricing is based on factors such as government regulation, market forces, economic value, consumer demand, and consumer preferences. Price is affected by several factors, including marketing objectives and the product life cycle, as stated by McNamee et al (2015). Product variety, rivalry, advertising approaches, and market conditions all have a role in setting prices, as stated by Assarlind and Gremyr (2014). There are certain products for which changing prices doesn't seem to affect demand.

Price sensitivity, buyer and seller leverage, and psychological factors are all identified by Bradshaw et al (2020). Along with the rest of the marketing mix, price influences and is influenced by the other components. The design, marketing, and distribution of a product all have an impact on the product's price. Business objectives, customer behavior, market conditions, market structure, and external factors all have an impact on pricing, as stated by Czinkota et al., (2022). Seldom do businesses get to set their own prices. For various reasons, they could be forced to arrive at certain pricing conclusions and methods. Cost, demand, competition, government regulation, and other factors will all be taken into account when setting prices. But, the secret to successful pricing is in familiarizing yourself with your own company and the industry. SMEs will be aided by this in setting fair prices for their goods.

Erwee and Price (2006) argue that external factors (such as the economy) have a greater influence on international pricing than do internal factors. Price controls, inflation rates, and currency rules are all good examples of regulations. External factors consist of rivalry, sales, and the nature of the market, whereas internal factors include price objectives, production costs, and distribution expenditures. Pricing is affected by the economy and the firm's and product's reputation, as stated by Paudel et al (2019). Global competition and value-chain integration are two major environmental influences on pricing, as stated by Razm et al (2019).

Perfect competition, monopolistic competition, oligopoly, and monopoly are the four basic forms of markets, as described by Richardson et al. (2014). They are price takers when they let the dynamics of demand and supply to determine the cost of their products. The remaining three categories of markets are price-setters because they may adjust prices to achieve their objectives. In a perfectly competitive market, all companies sell the same good or service at the same price, as stated by Begg et al. (2021). According to Kreps (2014), a firm operating in an environment of intense competition is a price taker. In a market with perfect competition, Haydarn (2018) agrees with Kreps (2016) that the only thing a company can do is pay whatever price the market would bear in order to maintain control over its production.

In addition to cost, customer demand, and competition, other factors can influence price decisions. These and other factors should not be ignored, since they may determine the success or failure of a small or medium-sized company. Understanding the costs involved and how they affect the company's viability and profitability is essential. Understanding the competition and the value perception and market demand is crucial in order to avoid pricing a product out of the market. Furthermore, crucial is abiding with the legal guidelines set out by the government in regards to setting prices. Government intervention in pricing is sometimes referred to as "price administration" or "price control."

A market structure is a collection of rules governing how firms establish pricing. These market structures impact price as well. Despite this, all market structures have an impact on price, and pricing methodologies should account for various market structures. Even under these market configurations, SMEs must show that their items are of sufficient value to justify their cost. After identifying price targets and strategies, SME managers may determine the most effective methods for achieving those objectives. The next section will identify and examine several pricing strategies used by SMEs.

4.4 SMEs

SMEs are the intended market. To be specific, we think about SMEs. The problem is that pricing strategies often used by SMEs tend not to optimize profits. Companies' financial situations may be improved if the pricing strategies now in use were analyzed, and the obstacles to more efficient pricing were removed. Pricing is defined and analyzed in this chapter with a focus on micro, small, and medium businesses. This piece isn't meant to be a sweeping indictment of SMBs, but rather a demonstration of how they approach price.

Over two million businesses and 45 million people call South Africa home, according to Juul (2014). Small businesses make up more than 95% of all establishments. Around 40% of South Africa's GDP comes from SMEs (or simply small companies), which also account for well over 50% of all jobs in the nation. Economists and public servants all agree: small businesses are effective. It's a top strategy for bringing down unemployment and boosting the economy. Despite the abundance of task groups, forums, and representative organizations, small businesses continue to need substantial aid and encouragement. Two-thirds of South Africa's GDP is still generated by large corporations, according Mmbengeni et al. (2021). SMEs are crucial to the economies of developed countries since they account for as much as 85 percent of the workforce.

Because of this, SMEs in South Africa need to play a more significant role in the economy than their counterparts in Japan, Singapore, the United States, and other countries (Das et al., 2020). In South Africa, almost all new firms fail within the first several years. Fifty percent of micro-enterprises in Asia, South America, and West Africa succeed to become successful SMEs (Bushe, 2019). Bushe (2019) states that in East and Southern Africa this figure is 10%. The importance of SMEs to South Africa's economy, along with the high failure rate of these enterprises, prompted the study of critical factors influencing their performance (Kiran & Reddy, 2019). One of these factors is the pricing strategy that is used to generate sales, cover costs, and turn a profit. Because of price's impact on the economy, researchers have focused on methods SMEs may use to increase their bottom line.

SMEs "are afflicted by high failure rates and poor performance levels," despite their many benefits (Musiki & Wasike, 2014). Understanding the factors that contribute to certain SMEs more success than others is crucial if the sector is to continue growing. Extensive analyses of the existing literature on SMEs suggest that strategic planning, or the absence thereof, is a crucial component in the success of an organization (e.g., Makwara, 2017; Talahmeh, 2020; Haleem et al., 2014;).

Organizational long-term objectives are the primary emphasis of strategic planning (Tshienda, 2021; O'Regan & Ghobadian, 2005). Strategic planning includes actions like allocating or re-directing resources as well as preparing for their use. The whole point of strategic planning is to get a benefit over the competition.

This view is supported by data in the academic literature. Successful SMEs are more likely to engage in strategic planning than their less successful counterparts. Or, put another way, SMEs that engage in strategic planning are more likely to see gains in revenue, ROI, margins, and headcount.

Participating SMEs are more likely to be innovative, have products that have been patented, use cutting-edge process and management technology, and grow on a global scale (Mirvahedi et al., 2021; Grynko & Yehorova, 2020; Kachaner et al., 2016; Stoi, 2020). One major benefit of strategic planning for small businesses is that it reduces the likelihood of failure (Galli-Debicella, 2020; Perry, 2019).

Research generally supports the idea that strategic planning has more advantages than negatives, even if strategic planning is not the only element that contributes to the success of SMEs. Despite this, most people would recognize that strategic planning is either rare or non-existent in SMEs. Every company, no matter how big or little, has the same problem: they focus too much on the here and now and not enough on the big picture, and they react to events rather than anticipate and prepare for challenges. To wit: (Jones, van Auken, & Manning, 2021; Brouthers, Andriessen, & Nicolaes, 2018; Jones, van Auken, & Manning, 2021; Brouthers, Andriessen, & Nicolaes, 2018) Even though they plan to prepare, many small businesses instead depend on ad hoc strategies and gut instincts instead of written strategies (Kelmar & Noy 2020).

For reasons that are not entirely evident, only few SMEs engage in strategic planning (O'Regan & Ghobodian, 2014). Researchers have concentrated on finding the "barriers" that prohibit or discourage planning to explain the low rates of strategic planning among SMEs. Robinson and Pearce argue that the strategic planning process for small businesses may be hampered by factors such a lack of time, a lack of specialized skills, an inability to grasp the planning process, and a reluctance to discuss strategic strategies with employees and external consultants (2014). Environmental turbulence (Shrader, Mulford, & Blackburn 2019; Matthews & Scott 2015; Yusuf & Saffu 2015), company size (Stonehouse & Pemberton 2021), sector (Shrader et al., 2019), and internal implementation barriers (O'Regan & Ghobadian 2020), among others, have all been cited as possible causes of businesses' "anaemic" performance.

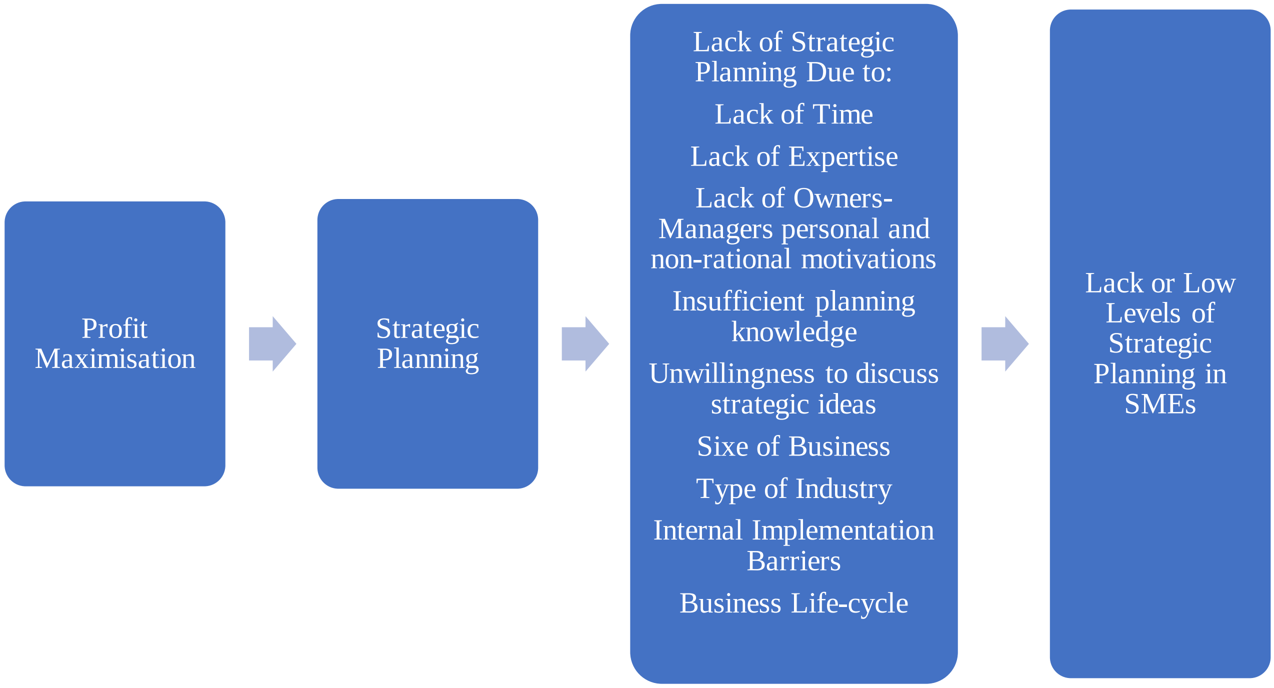

Figure 4.1 Lack of strategic planning in SMEs

Many obstacles make strategic planning ineffective, which is why such efforts are rare in SMEs. As said before, studies objectives to identify bottlenecks in organizational planning. To improve the overall quality of strategic planning among SMEs, understanding constraints would enable "more careful and accurate help" of other firms on how to overcome such hurdles (Robinson & Pearce, 2014).

Most owner-managers of SMEs do not place a high enough value on profit or growth maximization to see the need for planning at any level, much alone a strategic one. Just around 5–10% of SMEs are "gazelles," or rapidly expanding firms, while the rest are more likely to be "trundlers," or businesses that are barely holding on (Storey 2014; Peacock 2017). This suggests that the alternative reason for the general lack of strategic purpose and strategic planning activities deserves serious consideration. Nevertheless, there are a number of drawbacks to this approach. The issues raised above will be discussed in the following paragraphs.

As Storey (2014) points out, most recent studies imply that "most, if not most, SMEs desire to thrive but are inhibited by barriers." This perspective is supported by an economic stance that considers maximizing profits to be "rational conduct" and regards corporate expansion as a natural means of doing so (Shepherd & Wiklund 2015). As compared to owner-managers' other, non-financial objectives, like as independence, personal fulfillment, career advancement, work-life balance, and community engagement, profit maximization often falls short.

It is common practice for owners and management to forsake economic gains in favor of social or environmental objectives (Gordon and Smart 2017). To use Holmes's (2014) term, "economic irrationality" is a better descriptor than "economic rationality" for this kind of action (Schumpeter, 2019). Small business owners/managers "are most obviously not economic [individuals], " one may add. It is based on studies of the expansion objectives of SME managers (or lack thereof). Most SMEs are content with "limited," "incremental," or "satisfactory" growth, according to research by Rosa, Carter, and Hamilton (2020), Holmes & Zimmer (2014), and Sexton (2019), and Gray (2018). Of the SMEs surveyed, 33% were growth-oriented, while 67% were growth-averse, exiting, retiring, or selling their businesses.

The idea that SMEs do not participate in strategic planning because of planning "barriers" has to be re-examined, as does the assumption that SMEs pursue profit and growth maximization in an economically reasonable sense. Owner-managers of SMEs may not engage in strategic planning because their "irrational" personal motivations for running the business make it seem unnecessary. There might be a number of intertwined factors that lead to the inception of the company's founders and their families (LeCornu et al. 2016; Culkin & Smith 2018). When owner-managers have a strong desire to join a small firm, this is known as a pull factor, whereas when owner-managers have a strong want to enter a small business, this is known as a push factor, which is driven by external unfavorable conditions such as political and technical reasons.

Previous research has mostly focused on highlighting challenges that SMEs have while engaging in strategic planning. Research is mostly conducted to provide "best practice" management techniques for SMEs, as stated by Gibson and Cassar (2015). Academics in the field of strategic planning would do well to recognize that the motivations of owner-managers are key to the fundamental operations of SMEs, given the importance of’ real world' relevance and application of research. Thus, these factors have an immediate impact on managers' attitudes about their work, the composition of their organizations, the decisions they make, and the growth of their businesses (Beaver 2013). The great majority of SME owner-managers have "capped" or "limited" expectations for the performance and growth of their businesses since they are not in it for the money (LeCornu et al. 2016). With time, these owner-managers will lose interest in "best practice management activities" (such strategic planning) that might increase profits and expansion (Storey, 2014; Beaver & Jennings 2019; Shepherd & Wiklund 2015).

4.5 Pricing in SMEs

Certainly, under-pricing has been a major factor in the demise of a number of small businesses. While competing against larger companies, it's often desirable for a small business to focus purely on price. A small company may compete with larger ones by giving the lowest possible price for a product. A small business may sometimes undercut larger rivals by offering more affordable prices. Keeping prices low for longer periods of time may be possible for a company with low overhead costs. Several start-ups compete on price since the proprietor may hire workers for a low wage. In addition, there is apprehension that government subsidies, which are meant to help a new business get off the ground, would be abused to gain an unfair advantage over rivals. A company may maintain an advantage over its rivals only if it achieves economies of scale that their competitors cannot match. Price competition will force businesses to lower their pricing, cutting into their bottom lines (Stokes & Wilson, 2016). Consequences for the company in the long run as a result of new competitors.

Small businesses seldom reap the benefits of economies of scale because of their limited resources. Savings in the near term are most likely responsible for the decreased expenditures. If this stops working, it might be difficult for a business to increase pricing. There is a chance that this will fail in the long run. As Katz and Green point out, it is common practice for start-ups to launch with rock-bottom prices on their wares (2017). A corporation shouldn't let the reality that price cuts are sometimes unavoidable influence its pricing strategy. Earnings maximization is the best business plan for a start-up or growing company. This doesn't mean you have to shell out for the most expensive option, but it does suggest that you should charge more than the industry standard. Including this in the bottom line is a simple way to increase profits.

The price of a product or service has to be high enough to generate a profit for the company, as stated by Longenecker et al (2016). The fundamental behavior of expenses should be taken into account while setting prices. That's why it's important for the price strategy to detail how much will be spent on manufacturing and advertising. Hogan and Lucke (2017) state that having a well-thought-out pricing strategy in place is crucial for a company's bottom line. An increase in revenue and profit margins might be the outcome of implementing an effective and value-based pricing strategy. A company's success in the market depends on its pricing strategy.

When Beaver looked at successful and long-lasting small enterprises, he found that they had some common characteristics. (2017). Their financial situation was entirely within their control. They went back to the drawing board to review the original business plan and double-check the projections for sales and cash flow. As a result of their superior credit management system and/or factoring, they were able to significantly reduce the sum of money owed by their customers. Some people made the conscious decision to settle on a price. These tiny businesses' strategies are particularly unique to each owner or manager, and are thus profoundly influenced by their actions and abilities. In order to be successful, they have begun taking risks in a more creative and calculated manner.

Kenning et al. (2018) note that despite the abundance of research on the topic, very little is known about price awareness across industries. It is surprising that this has not been discussed more often, given the significance of price strategy to both consumers and sellers. Consumers in poor nations have a limited knowledge of pricing, say Schneider and Schneider (2017), even when there is little price variation on the market. According to Maxwell (2016), customers were less price-conscious throughout the '60s and '70s. As a result, American marketing courses have started placing more emphasis on the other parts of the marketing mix outside pricing.

There was a lack of marketing activity during the 1980s and 1990s, when customers became more price-conscious and businesses shifted their attention to maximising profits at the expense of other considerations. This shift in consumers' valuation of price is already being discussed in marketing classes. Recent research indicates that the percentage of American universities offering courses in marketing has increased from 4% to 13% in only the last two years, and that another 22% are considering introducing pricing classes in the near future. Peterson (2014) argues that managers are aware of the legality of certain minor operations, such as changing a product's pricing, but are uninformed of the legitimacy of other major activities, especially those impacting price. Managers at smaller companies tended to have less expertise than their larger counterparts.

A loss-making product line would not cause an immediate catastrophe at a large firm, but it very well could at a small one, suggests Analoui and Kararni (2019). If a company is not making money, it will eventually fail. In commodity-based industries, price is generally the primary competitive factor. Manufacturing expenses will rise if the company cannot keep them low. Careless pricing that fails to account for essentials like time, travel, and packing may have catastrophic results. Having accurate costs but thin markups may cause your business to struggle month after month. There are many factors to think about, yet small businesses seldom benefit by taking the most cost-effective route. A winning formula includes providing high-quality, personalized service at a reasonable price (Macleod & Terblanche, 2017).

Hatten (2018) argues that cost should not be the primary factor in deciding which product to buy. Price cuts are a common marketing strategy for small businesses. An essential factor in the success of SMEs is pricing. Since it results in money and profit, it helps enterprises. SMEs may only acquire sufficient funding via profits. It's very uncommon for start-up companies to have little cash reserves, meaning they'll need outside investment to fulfil their full potential. Price decisions have a direct impact on revenue and profitability, making them particularly important for start-ups. For certain businesses, they might make or break the operation. In spite of Hatten's (2018) findings that price plays no significant role in the purchase selection process, consumers still use price as a proxy for the product's value. Expense and demand consolidation has the potential to increase earnings and fortify the firm's financial footing.

According to Hatten, many owners and managers of small businesses make poor pricing decisions (2018). Barrow (2015) argues that a common mistake made by young company owners is setting prices that are too low. This error occurs when one either gives in to the first temptation to undercut the competition or one fails to fully comprehend the breadth of production and marketing expenditures, which are nearly always larger than planned. Although most writers agree that SMEs should investigate all the factors that influence pricing for their larger competitors, most managers instead use cost-plus pricing while taking into account a variety of secondary effects (Gilmore & Carson, 2015). It has long been assumed that smaller businesses use less sophisticated approaches to pricing because of their limited resources. Yet, it now seems that micro pricing techniques are more nuanced than was originally supposed.

Both theoretical and empirical studies of small company pricing have found a significant research gap. To maintain price stability, many small businesses looked elsewhere and focused on serving a specific customer base (Slok, 2018). An entrepreneur sets the price of a product in relation to its value, as stated by Longenecker et al. (2013). In spite of appearances, this task is not easy. Never forget that both unit sales and selling price have an impact on your total profit. All costs and a reasonable profit margin should be included in the price. So, pricing should reflect an understanding of how costs will change over time. For SMEs, price is a major consideration in all marketing efforts.

A product's life cycle pricing and marketing strategy may help a SMEs attract and retain customers and increase sales. Value is the monetary value of an item that might influence buying decisions. Several companies strategically set prices to increase profits and market share. Reason #1 is because we use a streamlined process for establishing prices. Reduced prices are the only effective and quick marketing tactic. Entrepreneurs shouldn't base their decisions just on product pricing but rather on a range of factors (Xiao, 2020). Minovi et al. (2018) state that in the anarchic 1990s, keeping one's competitive edge is crucial to one's survival. Companies willing to re-evaluate their competitive portfolios and experiment with new strategy combinations may now take advantage of the few occasions when prices are used as a strategic instrument.

According to Marsh (2018), firms should take into account consumer pricing habits in their respective regions. There is a need for a technique of microenvironment analysis to be developed in order to learn how enterprises could use pricing to gain a competitive advantage. Successful management requires a methodical strategy. Without treating price with the seriousness and attention it deserves as a critical part of success, organizations will continue to underperform. It might be a serious mistake for managers of SMEs to concentrate just on costs. Yet, there are downsides to cost-based pricing. It might be ignoring important factors in establishing prices. When finding a fair price using appropriate pricing methods, these factors must be taken into account.

4.6 Pricing responsibility

The manager or entrepreneur of a SMEs shouldn't have complete pricing authority. The technical entrepreneur or employee who plays a substantial part in creating the new product idea should not only promote the cost of the product, especially in high-tech SMEs. The group discount option is the better choice. Members of the technical staff, the marketing team, and the accounting team might all make up this group. When deciding on a product's pricing, it's important to look at things from three angles: the viewpoint of the product's creator and owner, the product's financial viability, and the product's marketing, or goal, customer, or member base (Xiao, 2020). When made by a single person, the process of establishing prices may be fraught with subjectivity. He or she may employ subjective methods like guard feel or thumb suck instead of being objective and applying the numerous pricing techniques. For this reason, it is crucial for managers of SMEs to include other people in the pricing process. This might remove the element of subjectivity and provide the marketer insight from the people who determine prices. Managers are responsible for making pricing decisions and should be updated on company happenings and customer feedback on price changes.

4.7 Pricing strategies and pricing approaches of SMEs

When pricing a new product, small company owners should strive for product adoption, market share maintenance in the midst of intensifying competition, and despite a profit, according to Asare (2016). Management of SMEs must ensure that their product prices generate sufficient demand. The produced income should be adequate to cover all expenses and make a profit. Pricing may be a significant source of income, if not the only one, that enables a firm to fulfill its full potential. Even in the face of intense competition, maintaining or expanding market share is essential. Gaining market share may increase the company's long-term income and profits. Given that price may decide the ultimate destiny of a firm, it is essential that pricing targets be defined and achieved from the outset.

SMEs should factor in costs, profit objectives, market rivalry, and customer perceptions of value when setting prices (Murphy, 2016). Companies of all sizes should benefit from cost-market- and competition-conscious pricing strategies. According to Schaper and Volery (2018), SMEs may choose from many different pricing strategies, including the going rate, cost-plus, maximum, perceived, and loss-leader. If the seller thinks they can get that much, they'll ask for it. As a result, shop owners may charge whatever they choose for their goods. Dynamic pricing is a situation in which a product's price fluctuates based on the perceived worth of the product to potential purchasers. Intentionally cheap charges are common practice for many businesses. Some companies use loss leaders to get customers to buy other products with a higher profit margin.

To compete, SMEs need to employ their own unique pricing strategies. The growth of the company's bottom line is aided by these strategies. In a cutthroat business environment, they might assist a company do everything from gaining ground to holding its own or even increasing profits. It is acceptable to consider both immediate and distant objectives in this context. Discounts may be a useful tool for getting rid of old or unused inventory. Correct pricing is the best way to increase sales (Tung et al., 2017). Companies have embraced a basic pricing strategy because of the importance of price in generating sales and profit. In order to identify and address marketing difficulties, SMEs have increasingly turned to cost-based pricing. Notwithstanding its merits, cost-based pricing has failed to gain traction in today's complex and competitive corporate environment.

Pricing at a cost plus a margin is often utilized by SMEs. The market demand approach and the cost-plus method are common pricing strategies used by small businesses. Percentages of cost-plus pricing also responded to market competition and consumer demand (Gilmore & Carson, 2015). SME management should be aware of competitors' prices. Businesses can only succeed if they keep tabs on the activities of their competitors and respond with better products, services, or settings. Finding out which of two things is better is necessary before making a comparison. Managers should look into their competition to see who is successful and what they are doing differently (Strauss et al., 2021).

Managers of SMEs, according to Asare's (2016) research, have a choice between three primary pricing strategies. Sliding the demand curve, penetrating the market, and skimming prices are all examples. Entrepreneurs may set prices for popular products using a variety of pricing strategies, including the "price line," "leader pricing," "regional pricing," and "multiple pricing." Volume discounts may be offered to customers via many price tiers. Many approaches of pricing are available to SMEs. All price policies should be in line with the company's overall marketing approach. There are a variety of pricing options that may help small businesses boost their revenue. There is profit potential in each strategy, and many of them are grounded in the price-to-volume relationship. There are occasions in which one method is preferable to another, since each has advantages and disadvantages. A variety of pricing techniques and methods may help small businesses achieve their objectives. It is possible to reduce prices for products using a variety of pricing schemes (Xiao, 2020).

Pricing decisions for a small firm may rely on the manager's instincts and expertise. It is conceivable that the founder's intuitive market sense is the sole guidance. Lack of marketing expertise and orientation may explain managers' dependence on intuition when determining pricing. Some writers suggest that pricing should be viewed as a management art since small enterprises lack a scientific approach to pricing. Not only do small companies deal with pricing, but so do all enterprises (Li et al., 2022). According to Strauss et al., (2021) product price is "part art, half talent, and entirely a matter of perception". If a person believes that a thing is valuable, they may be prepared to pay for it. Otherwise, no transaction will take place. Find the balance between what consumers believe they are receiving for their money and what small company owners believe they are receiving.

The level of competition is usually higher for SMEs than for larger businesses. Areas with a concentration of retailers and wholesalers tend to have a high concentration of small businesses. Just a few of companies of this magnitude now operate. You can quickly and easily reach local SMEs. The consumer community may easily compare and contrast prices. Price might be low if consumers see the product's benefits as being on par with those of similar options, or it could be high if they see significant value in the product. The market will determine whether this is feasible. Quantitative and qualitative considerations must go into pricing in today's market. When deciding on a price for a product, it's important to think about both the bottom line and sales. Managers must use effective pricing strategies to remain competitive in today's industry.

4.7.1 Factors affecting pricing strategies of SMEs

According to Kadim et al. (2020), small company owners should price new items with three objectives in mind: market acceptability, market share retention, and profit. Management of SMEs must guarantee that their pricing generates the required product demand. The income should cover all expenses and generate a profit. This is crucial for SMBs since price is often their only or only income source, allowing them to develop. In a competitive climate, attaining market share is essential. Growing market share may enhance long-term income and profit. Considering that price may decide the direction of a firm, pricing objectives must be lucid and realizable from the outset.

The lack of clear and rapid laws makes pricing difficult for most managers of SMEs. Due to pricing's importance in the marketing mix, it's crucial to do in-depth research and make a well-considered strategic pricing decision. Cost and profit are included into pricing. There are two crucial factors to consider when setting pricing: the prices set by competitors and the perceptions of the company's prices held by customers. Nonetheless, keep in mind that value is relative. What works for one company isn't always the best strategy for another. When deciding on a price for a product, it's imperative that managers think about how it will affect the bottom line (Andersson et al., 2017).

There is more to pricing than just what customers are prepared to pay. It's also about whether or not the business can support itself and make a profit that's satisfactory to the shareholders. Intelligent business owners may benefit from familiarity with pricing ideas when setting a price that is competitive in the market and consistent with their own financial objectives. It is recommended that management do a breakeven study to determine whether the company is profitable. If revenue rises over that mark, it will be considered profitable. That's the moment that the company starts losing money if sales are weak. The upper echelons of management need to realize the need of equitable pricing. Businesses should use the optimum pricing method if they want to succeed.

While cost-based pricing seems to be the preferred pricing model for managers of SMEs, alternative pricing models may be more appropriate. They should know what factors affect prices in their industry. They need to set pricing targets that make sense for the organization as a whole. It is important that the price policies be laid out in detail. The pricing strategies of "skimming the cream" or "penetration" of the market should be used. It's important to have a range of pricing to draw in and retain customers. Within the next chapter, we conduct an empirical study to back up the literature. In order to learn more about how small businesses set their prices, we spoke with several of their managers.

4.8. Chapter summary

Several studies have examined the economic impact of the many problems faced by South African SMEs. Yet it's well accepted that there's a lack of data on pricing. There is a plethora of pricing models that have been recognized and investigated. The many methods of pricing may be grouped into one of three broad categories: cost-based pricing, buyer/demand-based pricing, and competitive pricing. This data suggests that cost-based approaches predominate. Yet, as was said before, it does have drawbacks. A product's price should reflect the market's needs. Determining whether or not consumers will purchase a product at a certain price is crucial. Competitors can't be disregarded in a market with so much cutthroat behavior. While it is hard to differentiate one's items based on price alone, competitors' pricing provides a useful benchmark. Yet, if you match your rivals' prices, you could avoid a price war, but you'll also limit your company's ability to increase profits.

There are a number of reasons why alternative pricing strategies are just as crucial. They might help a business enter a new market, get a larger share of an existing one, or set itself apart from the competition. When all the relevant aspects are taken into account, pricing with a marketing emphasis seems to include just about every approach. For many SMEs, this pricing strategy may be the best option. Yet, the price goal may dictate the pricing strategy. Another pricing method that deserves greater attention is the use of dynamic pricing. The internet delivers several financial advantages that management should be aware of.

The pricing strategies discussed in this chapter may provide managers of SMEs additional leeway in setting prices. They should use prudence while selecting a plan. Several aspects must be taken into account in order to arrive at an appropriate price for a product. The price strategy should help the company meet its overall objectives as well as its pricing objectives. Managers can quickly choose the appropriate pricing strategy since several pricing methods and price points have the same name. The success of a business depends on its pricing strategy. The price may be set after deciding on a pricing strategy.

CHAPTER 5

CONCEPTUAL FRAMEWORK

5.1 Introduction

After outlining the background, posing the research question, and reviewing the relevant literature, this chapter constructs a conceptual framework with a theoretical perspective for this investigation. Many concepts, such as "concept," "frame," "framework," and "construct," need to be defined before a conceptual framework may be developed. A concept is a representation of an abstraction that is generated from specifics (Imenda, 2014). Because ideas are abstract, they can only stand in for so much (Shurair & Pokharel, 2019). Understanding concepts as mental representations of a network of related components or thoughts is possible.

The word "concept" refers to the act of classifying something under a wider heading (Mugizi, 2019). In other terms, a concept represents the manner in which a phenomena, an idea, or a phrase is subdivided. Using research instruments (questionnaires) that demonstrate how words have been broken down may make it much simpler to locate ideas in research (dimensionalised). Framing refers to a concept that, like a physical frame, surrounds and provides context for an investigation's subject matter. Clarifies or justifies the study's objective and methods, clarifies to the reader what the study is and is not about, and enables researchers to defend and interpret their findings (Casanave & Li, 2015).

So, the conceptual framework is a set of connected ideas (concepts in a frame) that allows for a holistic comprehension of the situation. Each notion in a conceptual framework contributes to the whole, has its own phenomena to represent, and works to build a philosophy unique to that framework (Tamene, 2016). Concept maps and contextual frameworks are graphical representations that help researchers see the interconnections among the many variables in a study, such as the independent, non-dependent, and dependent variables, as well as any other variables that are relevant to the study's objectives. One may define their research questions and methodology with the help of a conceptual model (Lewandowski, 2016). An event's most important aspects may be highlighted by using a conceptual framework, which is a set of related concepts and assumptions. Hence, conceptual frameworks are like road maps that improve the consistency of empirical research by laying out all the stops along the way (Hudon, Gervais & Hunt, 2015).

5.2 Conceptual model

The following conceptual framework is derived from the preceding chapters and illustrates the predicted relationships between Price antecedents, pricing strategies, and SME success.

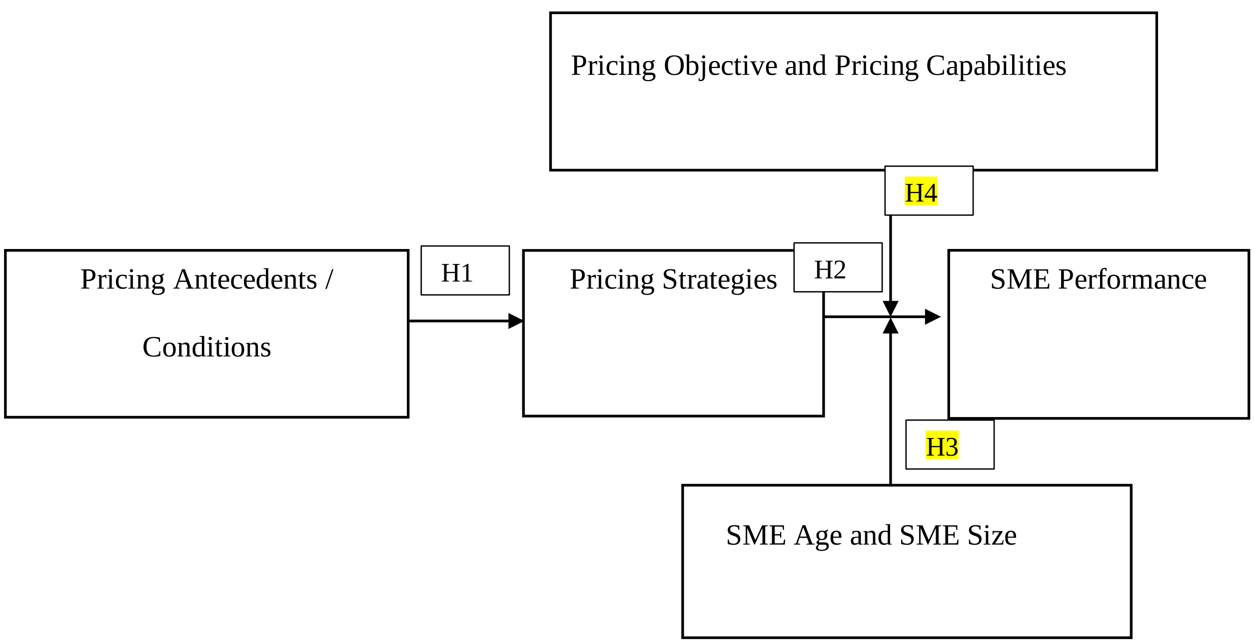

Figure 5.1: Conceptual model

Figure 5.1 provides a summary of the predicted correlations. These correlations are outlined below and serve as the basis for the hypothesis of the research.

The framework postulates that a firm's pricing strategies have a direct bearing on its ability to compete in emerging markets. It posits that the theoretical knowledge and breadth of pricing and performance among SMEs from developing countries may be improved if the reasons that contribute to the adoption of various pricing methods are identified, tested, and impacted. This study essentially generates a performance-oriented pricing model to back up managerial and theoretical (research) efforts.

With a pricing system model, one can visualize the factors that lead to price changes and the subsequent consequences on both end-users and the business itself, as well as on any other measurable variables. An equation system may be represented graphically using a system flow diagram. "to many practical managers, a well-constructed flow diagram is preferable to a set of equations for describing the structure of a system," Satchwell et al. (2020) write. A graph bridges the gap between an explanation in words and an expression in math.

Business-to-business (B2B) price strategists might benefit from the visual depiction. In concentrating on the causes and effects of price changes and decreasing complexity, this model omits crucial causal links impacting target variables. Importantly, it does not account for the known gains in market share and profit performance generated by increases in a company's product quality compared to that of its rivals (Satchwell et al., 2020).

5.3 Hypothesis development

5.3.1 Antecedents and considerations of SME pricing strategies and SME choice of pricing strategies

In this section, theories explaining the origins of price are explored. Corporate and market-related antecedents, customer-related and competition-related antecedents have been chosen as independent variables (Indounas & Avlonitis, 2010). Prior research demonstrates that all framework factors are interrelated (Ghali-Zinoubi & Toukabri, 2019). Using this empirical foundation, we present a model, nomological network in which price sensitivity is affected by the other four factors.

Events that set the stage for the application of price strategies, the building blocks of pricing strategies, are known as pricing antecedents. A company's pricing choices are crucial to its market performance, and they are affected by a wide range of factors (Sunarni & Ambarriani, 2019). Pricing decisions are influenced as a result of a variety of elements, not all of which need to be taken into to: price-quality relationships, product-line pricing, explicability, competitiveness, negotiating margins with intermediaries, sway over distributors and retailers, political concerns, profit maximization, and cost-cutting (Werner et al., 2021). Maybe this would be supported by the resource-based perspective (Mattos et al., 2021). According to this approach, placing more emphasis on price antecedents might help informing pricing choices and decreasing uncertainty. RBV asserts that an organization's pricing strategy may be traced back to its forerunners (Johansson et al., 2012). Antecedents in pricing provide a guide for what and how to accomplish with your price strategy. They are in charge of the whole pricing strategy process, from formulation to execution, and they determine how the business will adapt to external factors. Data from the price environment may help formulate effective pricing strategies.

Rapid uptake of the new service, sales of existing services at higher pricing, dissuasion of new rivals joining the market, and decreases in telecommunication costs are all market circumstances, as stated by Indounas and Avlonitis (2010). Consumers' price sensitivity, demand stability, price elasticity, and market knowledge are all intertwined with the service's popularity. The market is highly competitive because of several factors, including the high number of existing competitors, the way prices are set by the market itself (via supply and demand), and the abundance of similar services.

Situational factors have a significant impact on the pricing strategies used by SMEs. SMEs often use three distinct pricing approaches: cost-based pricing, competitive pricing, and value pricing. There are several moving parts to a cost-based pricing strategy, such as variable product and service costs, a break-even price, product/service investments, a target margin on investment, and a target margin on sales (Rapaccini, 2015). Market structure, the level of competition in the market, the competitive advantage of the rival, and the prices supplied by rivals are all factors that should be considered when developing a competitive pricing strategy. Value-based pricing takes into account the product's relative value to alternative choices, the customer's willingness to pay for the product's unique benefits, the customer's perception of the product's worth, and the price at which the product is sold. (Rapaccini, 2015). The intended relationship is significant; yet, there is a lack of concrete pricing information. No research has been conducted to specifically address this connection within the context of SME pricing.

Price antecedents' impact on pricing strategies has been studied extensively in the literature on SMEs. The pricing literature uncovered by Kuratko (2005) supports their assumption that price conditions affect pricing strategies and business outcomes. External variables, such as the economy (Diamantopoulos, 1991), internal variables, such as business objectives and consumer preferences (Tellis, 1986), and internal variables, such as the current pricing environment, have all been demonstrated to have an impact (Noble & Gruca, 1999). Tung et al. (1997:53) argue that selecting the appropriate pricing structure is the most efficient and effective strategy for a business to maximize profits.

Price predictors and pricing strategies are linked in the study of Indouns and Avlonitis (2010). The study elucidated a variety of factors that have an effect on pricing policies and procedures. Despite price's obvious significance in driving revenue and profits for a business, traditional approaches to pricing have been quite basic. To address marketing challenges and opportunities, many SMEs utilize a pricing strategy based on their costs. While there are benefits to using a cost-based pricing approach, it is insufficient in today's complicated and competitive business environment. As a result, it's clear that strategic pricing has no effect on the expansion rates of SMEs. Successful pricing strategies will be developed and implemented since the firm wants to maintain its competitive edge and expand its operations. As pricing strategies characterize a company's success in the market, this research implies price antecedents may have the most significant effect on the pricing decisions made by SMEs. This led the researchers to propose the following theory:

Hypothesis 1: *Pricing antecedents will positively influence the Pricing strategies of SMEs*

5.3.2 Pricing strategies and SME performance

Price strategies have been shown to affect the financial health of SMEs. Prior to this discussion, the reasons for a positive correlation between price antecedents and pricing strategies were presented. The pricing strategies of SMEs) have been linked favorably to improved financial outcomes. Each ideas have their own unique characteristics that set them apart. One key differentiation for businesses is their capacity to set prices competitively, as stated by the RBV. Formulating effective pricing strategies is essential (Dutta et al, 2003). If we use RBV as a yardstick, we can quickly infer that effective pricing has a direct impact on the bottom line.

Several studies have also shown that proper pricing is the bedrock of a successful firm (Al Badi, 2018; Ingenbleek and Van der Lans, 2013). Many newly opened businesses compete on pricing since the owner's time is so inexpensive. Long-term price advantages are unusual unless a company has highly developed economies that its rivals do not have access to. The bottom line of every business will suffer as a result of price-cutting rivals. Your rates will likely decrease if competitors do so (Dutta et al, 2003). Pricing must cover costs and provide room for profit in order for a company to thrive (Rao, 1984).

Without a shadow of a doubt, inadequate pricing has been a major contributor to the demise of numerous start-up companies. Price reductions may seem like the only viable strategy for a small business trying to compete with larger ones. In order to make a sale, a tiny company could offer its goods at rock-bottom prices. For small businesses, offering cheap prices may be a strategic advantage. A company with low operating expenses may sometimes stay competitive for longer while offering lower prices. There is data to suggest that many freshly launched enterprises compete on price thanks to the low cost of the owner's labor. It's unlikely that pricing strategies alone could generate a durable competitive advantage for a firm unless it has achieved economies of scale that are inaccessible to its competitors. Companies in the industry are likely to react by lowering their own pricing, which can only lead to lower profits for the company (Stokes & Wilson, 2006:127). Longenecker et al. (2006:300) state that a company can only turn a profit if it charges enough to cover all of its expenses plus a reasonable profit.

Knowledge of basic cost behavior should inform pricing decisions. That's why it's important for the price plan to detail how much will be spent on production and promotion. Other factors include the firm's competitive stance and pricing skills, such as its product pricing expertise, familiarity with rivals' pricing strategies, price tracking capabilities, willingness to use a two-price list, and capacity to control discounts. SME The ability to conduct value-in-use analysis or total cost of ownership; the ability to design and implement specialized pricing training programs; the ability to measure and quantify customers' willingness to pay; the ability to measure and quantify products' differential economic value in comparison to the competition; the ability to measure and estimate prices' elasticities; the ability to design proprietary tools to support pricing decisions; the ability to measure and quantify customers' willingness to pay; and the ability to measure and quantify prices' elasticities.

The cost of making, shipping, and selling a product is reflected in its price (Kotler et al., 2017). If you're a SMEs, you should definitely consider using the penetration pricing plan. A low starting price is often included into the pricing strategy for a new product or brand. This strategy's objective is to get a foothold in a crowded market. This method may also be used to break into a new market with an existing product or to increase the reach of an established product into a new market segment (Vikas, 2011).

The impact of price as a competitive strategy on the sales performance of pharmaceutical companies was also studied by Odhiambo (2013). Fifteen different businesses represented the study's sample population. The study's findings revealed that a firm's pricing policies had a major impact on revenue. A company's bottom line may be significantly affected by adopting price leadership as a marketing strategy.

Moreover, several academic studies have shown that pricing play an important impact in the commercial successes of firms (Colpan, 2006; GbolagadeAdewale & Oyewale, 2013). The pricing strategy has been determined to be the only variable in the marketing mix that directly impacts sales revenue, whereas all other variables have an impact on the bottom line (Wawira 2016).

Separate research by Mustapha (2017) found that the prices set by a business had a significant impact on that business's success. Your product's ability to sell is directly related to the price you set for it.

Furthermore, Mustapha (2017) conducted study and came to the conclusion that pricing thought has a major and positive impact on the entire performance of businesses. Thus, the hypothesis is correct:

Hypothesis 2: *Pricing strategies will positively influence the performance of SMEs.*

5.3.3 The moderating role of SME characteristics on the relationship between SME pricing Strategies and SME Performance

Factors such as the firm's age, size, and industry have a role in shaping the pricing methods used by SMEs. Several authors have argued that a company's length of existence is a crucial factor in predicting its level of success (Essel et al., 2019). New research (O'brien et al., 2019) shows that businesses with a shorter history of operation grow at a faster rate. When comparing firms of varying sizes, it is clear that the expansion rates of the smaller ones are higher (Appiah et al., 2019). It's often known that the chances of success for a small business are minimal.

Age and experience are typically considered identical in the empirical study on SME performance (e.g., D'Angelo et al., 2013), or at least age is used as a proxy for experience when data on the latter are unavailable. This is problematic because although the influence of experience is generally accepted, the influence of age is far less definite, and the two impacts may even be contradictory. Although seniority is often seen as a positive trait in a management team or an organization as a whole, it may also be a sign of inflexibility and a lack of innovation if the team or the business has become too complacent with age. As a result, people are at risk of falling into "competency traps" and repeating ineffective behaviors that worked well for them before but are now counterproductive in a different context (D'Angelo et al., 2013). A few studies show a positive correlation between firm age and SME performance (Majocchi et al., 2005), while others find a negative one (Miesenbock, 1988), and yet others find no correlation at all (D'Angelo et al., 2013).

Organizational size acts as an adjusting factor in the connection between strategic planning and business growth. Carr et al. (1999) proposed using company size as a moderating element in studies of the correlation between pricing strategies and long-term profitability, and they conducted research to test this hypothesis. Several studies have looked at how company size affects the connection between price and long-term profits. A company's size may have an impact on its ability to put its strategic objectives into action, since larger businesses often have more resources at their disposal than their smaller rivals.

Managers of companies of varying sizes need to draw from a toolkit of approaches tailored to the specific needs of their enterprises. There used to be widespread consensus that a company's internal management practice was a crucial factor in whether or not a SME was committed to sustainability. This was only one of many reasons why a focus on sustainability among SMEs was essential. Along with these challenges, a smaller organization's ownership, administration, and operation are often concentrated in the hands of a single person or a small number of people. The following idea was thus put out by the study:

Hypothesis 3*: SME age and size significantly intervene in the relationship between pricing strategies and SME Performance.*

5.3.4 The moderating role of pricing objectives and pricing capabilities on the relationship between pricing strategies and SME Performance

There is a consensus among scholars of strategic management that a company's prosperity is tied to the quality of its resources and skills. The theoretical (Hyvonen & Tuominen, 2006) and empirical evidence of a direct relationship between a company's resources and its financial success is overwhelming (see Ortega, 2010; Wu, 2010). According to Dutta et al., pricing capabilities are crucial to a company's success (2003). Capabilities in this area include a wide variety of elements, such as methods, tools, systems, information, and means of cooperation.

The capacity of a business to establish prices in response to market forces and customer demand depends on both of these factors (persuading consumers to accept new pricing, and discussing price adjustments with key clients). Pricing expertise was shown to positively correlate with company success in this and subsequent qualitative study settings (Berggren & Eek, 2007; Dutta et al., 2002; Dutta et al., 2003; Hallberg, 2008). Few quantitative research exists at present that examine the connection between pricing competence and business success.

Competence in pricing is an integral part of a company's overall competencies and a major factor in its success (Dutta et al., 2003). The bulk of the studies conducted recently on the value of pricing expertise have used a qualitative approach. Moreover, the organizational forerunners of pricing capacity are little understood. This study is crucial from a managerial perspective. Despite managers' knowledge of pricing's relevance, they often ignore its place in the bigger picture of their organizations or depend on ineffective rules of thumb (such cost-based pricing) when determining prices (Hinterhuber, 2004; Liozu et al., 2012). It has been shown that champion behaviors, pricing capacities, organizational confidence, and organizational change capacity significantly affect company results.

Large antecedents of pricing capacities were found to include center-led price management, promotional behaviors, and the capacity for organizational transformation (Liozu & Hinterhuber, 2016). The relationship between these factors was analyzed in this research. Business objectives such as market stability, customer-related pricing objectives, service quality-related pricing objectives, financial objectives, achieving satisfactory profits and sales, market share and capacity-related pricing objectives, competitive-related pricing objectives, and profit maximization all mitigate the impact of strategic pricing on SME performance (Liozu and Hinterhuber, 2016).

Bygrave points out that improper price prioritization is a problem (2017). Avlonitis and Indouns state that price targets are the compass by which pricing strategies and methods are navigated (2005). Both quantitative and qualitative price targets may be part of a company's overarching strategy. The primary advantage of quantitative objectives is their quantifiability, which can be seen in the ease with which financial metrics like revenue, market share, and expenditures incurred can be tracked. Nonetheless, it is possible that a company's long-term success may suffer from an overemphasis on measurements. Relationships with customers, competitors, and distributors, as well as the sustained success of the business and the betterment of society, are all examples of qualitative objectives that are difficult to quantify. In order for a business to meet its objectives, make a profit, and fulfill its social duties, effective pricing is essential, as stated by Strydom et al. (2021). Which pricing objectives are selected is heavily influenced by both internal and external factors. Successful businesses, as stated by Lamb et al. (2016), have well-defined, achievable, and quantifiable price objectives. Thirdly, and most importantly, we hypothesize that the presence of the following objectives and skills is evidence of the firm's capacity to establish and nurture its competences.

Hypothesis 4: *Pricing objectives and capabilities will significantly moderate the relationship between pricing strategies and SME performance.*

5.4. Summary of Hypothesized Relationship:

H_1: There is a significant relationship between Pricing Antecedents and Pricing Strategies.

H_2: There is a significant relationship between Pricing Strategies and SME Performance.

H_3: SME age and size significantly intervene the relationship between pricing strategies and SME Performance

H_4: Pricing objectives (H4a) and pricing capabilities (H4b) will significantly moderate the relationship between pricing strategies and SME performance.

5.4 Conclusion

This chapter developed and presented the conceptual framework that resulted from the research framework, which was based on the assessments of ideas and theories provided in the preceding two chapters. This chapter laid forth the whole theoretical framework. Each topic woven into the conceptual framework was briefly discussed in this chapter. Topics addressed included pricing strategies, antecedents affecting these strategies, SME performance, and moderators of the link between pricing strategies and SME performance. The criteria and standards for evaluating the concepts were discussed at length throughout the chapter. Furthermore, possible connections between the concepts were highlighted.

CHAPTER 6

RESEARCH METHODOLOGY

6.1 Introduction

Common parlance is that research methodology is the process of systematically seeking new information. It may also be seen as as a scholarly endeavor and the deliberate pursuit of information on a particular topic. Research technique, according to Engels and Schutt (2014), comprises identifying and redefining issues; developing hypotheses or suggested solutions; gathering, organizing, and analyzing data; drawing inferences and testing hypotheses; and ensuring that findings are in line with the study's objectives.

6.2 Research philosophy

The advent of quantitative analysis may be traced back to the positivist viewpoint. "Rationality, objectivity, predictive ability, and control" are valued highly in the positivist worldview (Bloomfield & Fisher, 2019). There is just one, objective reality, or so goes the ontological presupposition (Bradshaw et al., 2017). The underlying epistemological premise is that knowledge may be defined and analyzed by quantitatively measuring the phenomena of interest. Academics assert that all human actions can be dissected into their component parts and measured (Bradshaw et al., 2017). Assessing the effectiveness of an intervention entails determining the prevalence and characteristics of a concept, testing the association, defining the cause-and-effect connection between variables, and evaluating research questions or hypotheses (Coughlan et al., 2009). The researcher has to find or develop an instrument or technique for measuring the phenomena under investigation while maintaining objectivity and detachment to avoid letting personal values and prejudices influence the study's outcomes (Coughlan et al., 2009).

Data collection is the first step in the research process, followed by analysis using statistical methods. While doing quantitative research, it is common practice to oversimplify the issue or perspective, implying that the whole cannot be studied without first being broken down (Coughlan et al., 2009). The authors note that "quantitative research involves control to detect and reduce the problem, as well as assessment of the influence of irrelevant or unrelated elements" (Bradshaw et al., 2017). To guarantee that the study findings correctly represent reality and to increase the generalizability of the results, researchers often use a variety of control, instrument, and statistical analyses (Bradshaw et al., 2017).

6.2.1 Ontology

Conceptually, ontology is a study of the building blocks of human society (Saunders, Lewis, & Thornhill, 2003). Studying how and why the current social order came to be is what ontologists call "social ontology" (Given, 2008). According to Schwandt (2007), the meat of the study subject should be where ontology's attention is directed. Blaikie (2018) argues that ontological presumptions apply to social phenomena, the contexts in which they occur, and the relationships between them. Hence, ontology considers the assumptions, both subjective and objective, of the researcher.

6.2.2 Epistemology

The study of what constitutes reliable information in a certain field is called epistemology (Saunders, Lewis, & Thornhill, 2015). An epistemology is a body of beliefs about the nature and transmission of knowledge, including the criteria for determining the veracity, validity, and acceptability of information (Holden & Lynch, 2004). Because of the interdisciplinary nature of this research, it is acceptable to use a wide range of data sources, from hard numbers to narrative descriptions, from hard facts to subjective interpretations. Method selection autonomy may be seen in a wide variety of epistemologies. What scientists consider researchable is determined by their epistemological beliefs (Thakurta, 2017).

6.3 Research Design

The objectives of quantitative research can be measured, and they are inextricably linked to the variables and hypotheses that inform the study. Variables are concepts that can take on a number of different values, and hypotheses are conceptualised about the relationship between variables that have not yet been proven to be true. Surveys, post hoc analyses, case studies, and experiments make up the backbone of quantitative research, as stated by Thakurta (2017). Survey research is the approach used in this thesis.

Neuman and Robson (2014) state that surveys may be traced back to ancient censuses, in which governments gathered data from the whole population of a certain region. Data collection is crucial to the descriptive part of survey research, it necessitates information from a large enough subset of the population to be used to draw conclusions about the entire. Questionnaire and interview-based surveys are the two most comprehensive methods. A survey may be used to gather information for statistical studies. Technology has advanced at such a quick rate in the previous decade that it has completely revolutionized survey methods. Visitor input may be solicited via a variety of channels, including interactive internet polls, electronic kiosks placed strategically around public spaces, and pre-recorded phone calls.

Neuman and Robson (2014) state that the government has been conducting censuses, which entail gathering information from the whole population of a given geographical area, since ancient times. A descriptive survey relies on data collected from a statistically-valid subset of the total respondents so that results may be extrapolated to the whole population. In quantitative studies, the questionnaire and the in-depth interview are the two most often used techniques of data gathering. Rapid technological adoption in survey research in recent years has caused profound changes in the discipline. Online surveys are available to website visitors, while automatic phone surveys employ random dialing methods to contact customers for their opinions.

6.3.1 Exploratory design

The exploratory design is employed when there is insufficient background knowledge to make any predictions (USCL, 2016). The purpose of an exploratory research strategy is to collect data and draw conclusions that may inform future studies. It is used during the stage when preliminary examinations of research difficulties are being conducted. Exploratory designs are often used to determine the best approach to an investigation or the most appropriate strategy for information collecting (Daniel & Harland, 2017). There is a lack of information regarding what influences a company's pricing strategy and how that approach impacts profits in South Africa, making this research all the more crucial. Thus, it is prudent to use an exploratory study methodology in order to ascertain the extent to which pricing conditions affect strategic pricing and its impact on firm performance.

6.3.2 Descriptive design

Descriptive art objectives to express "what is happening" using visual means. Descriptive research approaches allow for the answering of questions such "who," "what," "when," "where," and "how"

(Daniel & Harland, 2017). To the question "why are things happening as they are?" descriptive research is inadequate (p.23). A phenomenon's present condition may be ascertained via descriptive inquiry, which helps to characterize "what existing" in terms of causes or circumstances (USCL, 2016). Descriptive art objectives to express "what is happening" using visual means. Descriptive research approaches allow for the answering of questions such "who," "what," "when," "where," and "how" (Daniel, 1996). The goal of descriptive research is to describe "what existing" in terms of causes or conditions, thus researchers collect data about the present state of the phenomenon they're studying (USCL, 2016).

6.3.3 Explanatory design

Answering the question "why?" is a top priority while designing such diagrams. Developing causal explanations (causality) that say that one phenomenon (Y) is effected by another phenomenon (X) in either a direct or indirect manner is necessary for answering "why" inquiries (X). Explanatory diagrams are used to examine how a proposed shift might affect already accepted norms and procedures (USCL, 2016). Identifying probable causes is a fundamental focus of scientific research since doing so is what drives scientists to put their hypotheses to the test. In a causal effect, the variation of one phenomena (the independent variable) is the typical or typical source of variation in a second phenomenon (the dependent variable) (Daniel & Harland, 2017). To answer the research question of "do pricing strategies affect company performance?" an explanatory research approach is required. The explanatory research strategy is the best option for meeting the stated objectives of the investigation.

6.4 Research approach

Creswell (2014) argues that research methods include a wide range of presumptions and procedures for gathering and analyzing data, as well as for drawing conclusions from that data. Creswell (2009) distinguished between a mixed approach, a qualitative methodology, and a quantitative methodology for doing research.

6.4.1 Quantitative Approach

Quantitative research is a method for validating objective hypotheses and enabling statistical analysis of numerical data by analyzing the relationship between variables that are often checked using equipment. Due to its origins in the natural sciences for analyzing natural occurrences, the quantitative approach mostly adopts a scientific method (Myers et al., 2013). Quantitative researchers lay a heavy focus on the use of numbers, which almost invariably represent the values and intensities of theoretical concepts. From theory to results, the quantitative research approach follows a sequential, linear process. Normally, participants in a large-scale survey complete a questionnaire or take part in an interview. This kind of study depends on a large sample size or population to reach broad conclusions. The quantitative research approach, which includes quantifies data collection and analysis, emphasizes the connection between numerous clearly defined pieces (Bell et al., 2022).

For this kind of investigation, numbers are your friend. The study's overarching goal is to test many hypotheses on the connection between pricing policies and company fortunes. A large amount of data was gathered via surveys, analyzed using quantitative statistical techniques, and then the results were extrapolated to the whole population. When faced with the research challenges discussed in the first chapter, the quantitative approach is the most effective means of solving them. And because quantitative researchers share the study's ontological, epistemological, and axiological views, they were the ones to conduct the study.

6.4.2 Qualitative research approach

Scientists probe societal and cultural issues by using qualitative research techniques (Myers et al., 2013). Action research, case study analysis, grounded theory, and ethnography are just a few examples of the qualitative research approaches that may be used. In-depth interviews, focus groups, and observation are the most common forms of data collecting in qualitative studies. Research of this kind, when carried out in a social and cultural setting, provides investigators with a richer picture of human beings and the social reality to which they belong (Blaikie, 2018). In qualitative studies, the emphasis is on how a small number of variables interact within a larger environment. understanding how people in a certain setting interpret the world around them. Generally speaking, the purpose of qualitative research is to generate hypotheses rather than test them. Qualitative researchers are value-constrained on the axiological level, subjectivist on the ontological level, and interpretivist on the epistemological level. The perspective of the qualitative method is quite different from the reason for this study. That's why there's no attempt at a qualitative methodology in this study.

6.4.3 Mixed method approach

A "mixed methodology" refers to a research strategy that employs both quantitative and qualitative methods (Sedofia et al., 2018). According to Cameron (2011), mixed methods research is any study that collects, analyzes, and draws findings from both quantitative and qualitative data. It should now be evident that quantitative and qualitative methodologies are combined in mixed-methods research.

Some seek to blend the two schools of thought to avoid the limitations of employing just one study approach, while still others do so to get a more thorough knowledge of a topic (something that would not be achievable in quantitative or qualitative investigations alone). Creswell (2009) says that integrating quantitative and qualitative data in a single study might provide researchers a better understanding of a phenomena. A mixed-methods strategy would not be appropriate because of the study's focus on collecting and analysing quantitative data and the widespread relevance of its findings.

6.5 Research strategy

A quantitative study sample method was used for this investigation. Fundamental differences exist between quantitative and qualitative sampling procedures. The ability to generalize results is essential in quantitative research, thus researchers ensure that they are selecting participants at random in their samples. Researchers that use quantitative methods often collect data from large samples to corroborate with the objectives of generalizability. The purpose of gathering data from a substantial sample is to provide findings that are indicative of the whole population.

6.6 Research method

The research presented in this thesis is mostly quantitative. Researchers' methodologies should account for the time spent on background research, as stated by Apuke (2017). Research results need the quantification and analysis of several variables.

Using and analyzing numerical data based on certain statistical methods to answer questions like "who," "how much," "what," "where," "when," "how many," and "how." Quantitative research techniques, as defined by Grant (2017), are a way to gaining insight into a subject or phenomenon via the collecting and statistical examination of numbers.

Quantitative studies are distinguished by their emphasis on gathering and analyzing numerical data via the use of statistical techniques. Yet, as Apuke puts it, "quantitative research necessitates the collection of data to enable the quantification and statistical examination of information in order to support or refute alternative knowledge statements" (2017).

Ryder et al. (2020) add that the initial stages in doing quantitative research are to explain the problem, establish a hypothesis or research question, review the relevant literature, and conduct a quantitative analysis of the data. Quantitative research, like qualitative research, collects information using instruments like questionnaires and experiments to fill out standardized forms (Apuke, 2017).

6.7 Research time horizon

A cross-sectional study method was used for this investigation. There are several kinds of observational studies, and one of them is the cross-sectional study. Researcher in a cross-sectional study looks at participants' results and their experiences at the same time. Individuals in cross-sectional studies are chosen solely according to predetermined inclusion and exclusion criteria. After selecting volunteers, the researcher will keep tabs on their level of exposure and the outcomes of the study. Most population-based surveys utilize cross-sectional designs to find out how common a problem is. Such probes may sometimes be executed fast and at little cost. They may be done before a cohort study is designed, or they can serve as a starting point for an ongoing investigation. Cohort studies may benefit from the prevalence data that these designs provide. Since that the exposure and outcome are only being measured once, cross-sectional research presents challenges in drawing conclusions about causation. We may also use this strategy to analyze the association between exposure and outcomes by calculating odds ratios.

6.8 Research technique and procedure

6.8.1 Data collection

In order to assess the hypotheses, primary data was collected from a representative sample of SMEs using the census method. According to the University of South Africa's Office of Research, 1,334 individuals make up the study's accessible population; these individuals represent a subset of the study's intended audience, which is restricted to SMEs in the province of Gauteng. The number of participants is fixed at 500. The sample size of this study is large enough to draw inferences about the whole population, thus the results may be trusted. In the first step, researchers made direct contact with participants to introduce themselves and explain the study's objectives.

Afterwards, using the intercept method, questionnaires with a 5-point Likert scale were sent to Businesses in Gauteng. Researchers made sure that the people they surveyed were appropriate for their studies by doing background checks. A common tool in survey research is the questionnaire (Sim et al., 2018). Moreover, questionnaires are one of the most convenient means through which respondents may answer to questions (Bhuyan et al., 2016). Also, the respondent may choose a response from a list of options shown in a particular structured question thanks to the question's architecture (Sim et al., 2018).

6.8.2 Data collection instrument

A 5-point Likert scale questionnaire comprises both organized and unstructured items. The first section addresses the number of workers, Standard Industrial Classification, firm structure, annual revenue, and role of the pricing manager. This section uses the nominal scale approach, in which the individual answering the questionnaire must choose just one response that applies to their or her firm. The remainder of the questionnaire is devoted to price issues, including pricing conditions, pricing strategies, pricing targets, pricing capabilities, and business performance. Below is an explanation of the important variables and how they are measured.

6.8.2.1 Pricing conditions

Based on their research, Indounas and Avlonitis (2010) identified three distinct groupings of variables that influence pricing decisions: corporate and marketing strategy elements, consumer circumstances, and competitive factors. The participants' performance was rated on a Likert scale from 1 to 5.

6.8.2.2 Pricing strategies

This research employed a classification of three pricing schemes. There are three pricing strategies: value-based pricing, cost-based pricing, and competitor-based pricing. They were ultimately assessed using 5-item Likert scales for each item. Adapted from the works of Rapaccini (2015) and Liozu and Hinterhuber (2013).

6.8.2.3 Pricing objective

In their study, Avlonitis and Indounas (2005) provided eight price objectives. Market stability, pricing objectives related to customers, pricing objectives related to the quality of services provided, financial objectives, achieving adequate revenue and profit, pricing objectives related to market share and capacity, pricing objectives related to competitors, and pricing objectives that maximize profits are all on the table. Ultimately, a 5-point Likert scale was used to evaluate these objectives' success.

6.8.2.4 Pricing capability

Companies' pricing capabilities include their accumulated management tools, know-how, informational resources, structural tenets, and coordination devices (Dutta, Zbaracki, & Bergen 2003). Alternatively, according to Rapaccini (2015), pricing power is "an organization's capacity to set its own prices and those of its goods and services in relation to the market and its consumers" (persuading consumers to accept price hikes, and discussing price adjustments with key clients). Ten questions based on a modified version of Liozu and Hinterhuber's 5-point Likert scale were used to evaluate this quality (2013).

6.8.2.5 SME performance

The respondents were asked to provide an objective assessment of company success based on their actual sales and profits over the last three years. Yet, fewer than 3% of respondents volunteered this information. Recognizing that this was a potential conclusion, the data gathering tool sought an alternative method of assessing success objectively in terms of the three-year percentage increase in profit, sales, and market share. As this was seen to be less intrusive than the actual numbers, respondents volunteered the percentage increases in these categories. SME Performance was measured by standardizing the three-year average growth rate. This method was deemed more objective and assessed performance more accurately than the subjective metrics used in prior research (e.g., Anning-Dorson, 2023).

6.8.3 Reliability of research instrument

Reliability may be assessed in three different ways: test-retest, alternate-form, and internal consistency (Shukla et al., 2018). Consistency and homogeneity over time will increase the questionnaire's dependability. In order to evaluate the study's objectives, we need to build each scale item. Cronbach's Alpha was calculated as an internal consistency indicator (Shukla et al., 2018). It estimates the average dependability coefficient for each feasible approach to dividing a set of items in half. This research objectives were to explore the importance of keeping the Alpha value within the recommended range of 0.70 to 0.95. In addition, consistency was improved by the standardization of measuring conditions (Kothari, 2016). Test-retest reliability was used in the study, therefore the same surveys were sent out again at different intervals. This will help check whether the exam takers have been consistent over time. The study also ensured that no people were miscoded or given confusing instructions.

6.8.4 Validity of research instrument

According to Shukla (2018), to the extent anything is true or the difference in observed scale scores corresponds to the actual difference between objects being assessed. Asenahabi (2019) explains that validity quantifies the extent to which the outcomes of data analysis accurately reflect the topic under investigation. The content validity guaranteed that measurement tools adequately address the subject of the study. The respondents' completed questionnaires represented a representative sample of mall customers. The validity of the scale was enhanced by asking questions that best answered the study premise, ensuring that the instrument was free of bias, and focusing on the appropriate respondents. The supervisors then assessed the questionnaire's validity by determining if the instrument measures the topic under investigation.

6.9 Data analysis and interpretation

Having accounted for descriptive statistics, the remaining data were examined using the two-stage approach to structural equation modeling. The process is described in great length in the data analysis section of the book. Data was collected via questionnaires and then checked for accuracy, coded, and input into SPSS for evaluation, interpretation, and analysis. Frequency tables, bar charts, and graphs will all be used to display the data.

6.10 Partial Least Square Structural Equation Modelling (PLS-SEM)

PLS-SEM is a cutting-edge technique for linear multidimensional data analysis, which combines structural equation modeling (SEM) with linear modeling (MDA). The statistical techniques in the Structural Equation Modelling (SEM) toolbox objectives to examine the association between a set of continuous or discrete independent variables and a set of continuous or discrete dependent variables (Henseler et al., 2014). This MDA technique, which combines components of component analysis and regression analysis, allow for concomitant exploration of correlation between measurement indicators and constructs (Henseler et al., 2014). In the social sciences, it serves as a common method of testing hypotheses (Hair et al., 2017, Henseler et al., 2014). Partial least-squares structural equation modeling (PLS-SEM) and covariance-based SEM (CB-SEM) have both become widely accepted standards in the academic community (Henseler, 2014; Hair et al., 2017). In this work, PLS-SEM was employed for analysis.

PLS-SEM seeks to maximize the route model's R2 by adjusting the coefficients of underlying hidden factors generated internally (Hair et al., 2017). PLS-SEM is a measurement and structural component hybrid model. The measuring model specifies the exact nature of the connection between the target structures and the surrogates utilized to make the measurements. On the other hand, structural models highlight the relationships between constituent parts. We tested the measurement models for collinearity, internal consistency, convergent validity, and discriminant validity. Nevertheless, we analyzed the structural models using path standardized coefficients, coefficients of determination, p-values, t-values, point estimates, variance explained, and bootstrapping confidence intervals.

6.11 Ethical considerations in the methodology

Having the proper ethical approvals in place before doing research on humans is essential. It is important to seek permission before beginning to collect data from human participants. The concept of "informed consent" is crucial to doing research in a morally responsible manner (Denzin & Lincoln, 2011). The words "informed" and "consent" are crucial to the term and must be thoroughly examined individually and together. All participants were fully informed of the objectives, the intended uses, and the possible consequences of their participation. Participants gave their informed, consenting, and explicit written consent to participate in the study, during which they were made aware of their rights to access their data and their ability to withdraw from the study at any time.

A researcher and a subject may enter into a legally binding agreement via the informed consent procedure. Participants should be "informed" about the researcher's identity, the research's purpose, the types of data that will be collected from them, the methods by which those data will be collected, the time commitment that will be expected of them, the ways in which their data will be used and reported, and the risks that may be associated with their participation. Permission was granted after participants read and signed a short, informative information sheet (about 1.5 to 2 pages) that was prepared in participant-friendly language and avoided academic jargon.

Participant identity will be kept confidential, data ownership will be made clear (participants own their raw data, researchers own the analysis data), and the participant will have the right to withdraw at any time without giving a reason (i.e., active consent as opposed to passive consent - the latter remains highly contentious) (contact details of the researcher along with a line manager, or the chair of the ethics committee). The information sheet and permission form must be thorough, clear, and accurately stated. Inadequate protection for the participant or the researcher may come from a defective consent agreement if the information sheet and permission form are ambiguous (Hashimov, 2015).

6.12 Chapter summary

This chapter focused on philosophical inference, or the underlying principles of scientific inquiry. Being the connecting tissue between the research's objectives and its means of data collection and analysis, the study design was the primary emphasis of this section. Combining descriptive, exploratory, and explanatory methods was the topic of this chapter's discussion. Information about the present state of a phenomenon is gathered via descriptive design. In murky regions, the exploratory design may provide light on the best way to go further into the topic at hand and help researchers grasp the nature of the underlying study challenge. Explanation design makes use of "why" inquiries to identify potential causes and effects between variables.

In-depth discussions of qualitative, quantitative, and mixed approaches were covered in this chapter. Qualitative researchers often use methods like case study and ethnography to get a more nuanced understanding of social reality and cultural occurrences. To test and confirm hypotheses about correlations between factors, quantitative researchers rely on statistical methods. Methods that combine quantitative and qualitative information are called "mixed methods," and they are used to conduct the same research.

In the chapter, topics such as population, sampling frame, sample size, and sampling procedures were discussed at length. Several methods and tools for gathering information were covered in this chapter. Research methods, such as multivariate data analysis, were also discussed in this chapter. Exploratory factor analysis was shown to compress a wide variety of construct indicators into a manageable number of dimensions. In this chapter, we will be looking at partial least square structural equation modeling (PLS-SEM), which was used to assess the validity and reliability of the measurement models employed to measure the constructs.

CHAPTER 7

DATA ANALYSIS AND RESULTS

7.1 Introduction

This is the first of three chapters reporting the results of a study examining the connections between price antecedents, pricing strategies, and the SME success. Both descriptive statistics and confirmatory component analysis are discussed in detail throughout this chapter. Pricing antecedents, pricing strategies, pricing objectives, and pricing capabilities are first described using descriptive data. The results of the SEM path analysis are presented in this section. After the chapter proper, a synopsis of that chapter is provided.

7.2 Descriptive statistics

Brief, informative statistical variables for describing a data set that may be used to generalize about an entire population or to focus in on a specific subset of that population are known as descriptive statistics (George & Mallery 2018). Both measurements of central tendency and measures of variability are necessary for any descriptive statistics to be meaningful (spread). Central tendency may be shown by the mean, median, or mode, while variability can be quantified by means of standard deviation, variance, minimum and maximum variables, kurtosis, and skewness (George & Mallery 2018).

7.2.1 Central tendency of the distribution

Central tendency, as defined by Douven (2018), is an evaluation of the "center" of a given set of values. Traditional measurements of central tendency include the mean (the average) and the mode (the most common value) as well as the median (the midway between the lowest and highest values) (a central value). Median, average, and mean are the most typical central tendency measurements. According to Douven, the mean is the most often used and effective metric for assessing core tendencies in data. To find out where most of the answers fall in terms of financial performance, advertising spend, and asset value, we use the mean.

7.2.2 Variability of the distribution

According to Douven (2018), mean-variance index is calculated by taking the standard deviation of each number and comparing it to the mean of the whole set. In other words, each time there is a large change from the mean, variability is there. Variability, according quote NCSS (2018), is the degree to which values deviate from the mean. Knowing how tightly or widely the remaining values cluster around the mean is useful when using the mean to find the midpoint of a data set. Simply expressed, variability is the degree to which values deviate from the distribution's mean. The distance of an individual data point from the mean may be measured using dispersion quantitative methods like range, sample variance, dispersion, and standard error (Renner, 2018). Perpendicular variance measurements are those that are orthogonal to the median, whereas correlated variance measures are those that are connected to the mean (Mordkoff, 2019).

Related to the median are two measures of dispersion: the range and the interquartile range. The "interquartile range," which he defines as the space between the data set's 75th and 25th percentiles. Instead, the range is just the middle and outer points of the data set (Jaggi et al., 2020). The influence of outlying numbers renders the range and the interquartile range unreliable measurements of dispersion.

Nonetheless, the standard deviation does a better job of representing the distribution of answers than the median or the variance do in this study. For this reason, although the mean is a more reliable and complete measure of dispersion than the range or interquartile range, both of which may be skewed by outliers, according to Douven (2018).

7.2.3 Pattern of Dispersion

Estimators of dispersion and central tendency cannot be used to provide an explanation for the symmetry or clustering of values within a data set. As a result, it is clear that descriptive statistics place an emphasis on the form factor. The form of a distribution characterizes how values fall along a number line (NCSS, 2003). Whether a collection of data is considered normal depends crucially on the distribution shape.

Two common measures of form are skewness and kurtosis (NCSS, 2018). A distribution's skewness may be measured using the skewness measure. According to Mordkoff (2019), skewness is a symmetry metric that may take on positive, negative, or zero values. Hence, a data set's distribution might be skewed to the left, right, or neither. Like in other areas of mathematics, a skewness score of 0 indicates a perfectly normal and symmetrical distribution. When the skewness is positive, the distribution's tail is skewed to the right, indicating a more extreme outlier, and when it's negative, the tail skewed to the left, indicating a more extreme outlier (Mordkoff, 2016).

Kurtosis, often known as the "normal curve," is the customary fourth moment of population dispersion around the mean (DeCarlo, 1997). Hence, kurtosis gauges the significance of a distribution's peaks and/or tails (Mordkoff, 2019). As with skewness, the numerical value of kurtosis may be positive, negative, or zero. A positive kurtosis, according to DeCarlo (1997), suggests an unusual distribution with lengthy tails and an exaggerated peak. A negative kurtosis is characterized by slender tails and a flatter shape relative to the normal distribution. If the value of kurtosis is zero, then the distribution may be considered "normal." If the kurtosis value is more than three, the tails are heavier than in a normal distribution, whereas a value of less than three indicates lighter tails (NCSS, 2018).

Skewness and kurtosis are two prominent metrics of dispersion because of the information they provide about the shape and size of outliers. Many methods have been developed to determine whether or not a distribution is normal (DeCarlo, 1997). As such, it is crucial to guarantee the consistent distribution of the study's core elements.

7.3 Analysis of descriptive statistics

7.3.1 Descriptive statistics: Demographics of the Participating Businesses

According to Table 7.1, this study surveyed 541 SMEs, of which 40.3%, or n=218 SMEs, were classified as formal companies and 59.7%, or n=323 SMEs, were classified as informal firms. A total of 319 SMEs have not registered, while 222 have. Companies and Intellectual Property Commission data showed that 80% of SMEs were registered (CIPC). There are a few SMEs that are members of the South African Council of Educators (SACE), Contact Centre Management Group (CCMG), Financial Advisory and Intermediary Services (FAIS), South African Institute of Chartered Accountants (SAICA), South African Informal Traders Alliance (SAITA), and Legal Practice Council.

The bulk of the sample's firms, 415, or 76.9%, were established after 2017, while just 125, or 23.1%, were established between 2011 and 2016. The chart also reveals that the majority of enterprises, 457 or 84.5%, were held by a single proprietor, while 84 or 15.5% were owned by several proprietors. And 362 enterprises, or 67.2%, were handled by the owners directly, while 177 firms, or 32.8%, were controlled by managers rather than the owners.

In terms of educational attainment, 48.8% had postgraduate degrees, at least a quarter (29.2%) had advanced certifications, and 11.1% had a high school diploma. 8.8 percent of company owners had a National Certificate, while 1.7% have a Higher Certificate. Sixty-eight percent, or 68.6%, of SME owners are in the retail and auto industry, while ten percent, or 14.2%, are in the community sector. Fewer than 5% of the workforce was employed in the construction and agricultural industries, and less than 1% in other areas.

Seven out of ten enterprises (74.3%) had 1-5 workers, while one-fifth (23.1%) had 6-10 employees. Fewer than 5% of the firms had more than 10 workers, seven out of ten (74.3%) were sole proprietorships, 11% were partnerships, 7.8% were closed, and 5.9% were private corporations.

Table 7.1: Demographic characteristics of the firms

Variables	Category	n	%
Is your business formal or Informal?	Formal	218	40.3
	Informal	323	59.7
	Total	541	100
Is your business registered?	Yes	222	41.0
	No	319	59.0
	Total	541	100
If yes, with which regulatory body?	CIPC	176	79
	ECSA	16	7.2
	SACE	11	4.9
	CCMG	9	4.05
	FAIS	3	1.3
	Legal Practice Council	3	1.3
	SAICA	2	0.9
	SAITA	2	0.9
	Total	222	100
	Not registered	319	
In which year did you start your business?	2011 - 2016	125	23.1
	2017 – Till the data	415	76.9
	Total	540	100
Is the business own by one person or multiple?	One	457	84.5
	Multiple	84	15.5
	Total	541	100
Is the owner the same as the	Yes	362	67.2

manager?	No	177	32.8
	Total	539	100
Missing		2	0.4
Total		541	100
What is the owner's highest level of Qualification?	Post-Graduation	247	48.8
	Advanced Certificate	148	29.2
	Matric	57	11.2
	National Certificate	45	8.8
	Higher Certificate	9	1.7
	Total	506	100
Missing		35	6.5
Total		541	100
According to the Standard Industrial Classification, what sector would you classify your business in?	Agriculture	13	2.4
	Catering, Accommodation and other trade	26	4.8
	Community, Social and other services	77	14.2
	Construction	36	6.7
	Electricity, Gas and Water	4	0.7
	Finance and Business Services	1	0.2
	Manufacturing	5	0.9
	Retail and motor trade and repair services	371	68.6
	Transport, storage and communications	3	0.6
	Wholesale, trade, commercial agents and allied services	5	0.9
		541	100
How many people are employed by your business?	1-5	403	74.3
	6-10	125	23.1
	11-15	7	1.3

	16-20	5	0.9
	21-30	1	0.2
	Total	541	100
What form of Business are you in?	Sole proprietor	402	74.4
	Partnership	64	11.9
	Close Corporation	42	7.8
	Private Company	32	5.9
	Total	540	100
Missing	System	1	0.2
		541	100

7.4 Descriptive statistics on items and constructs

The items and constructs in this research were also analyzed descriptively with the use of average, sample variance, deviation, and measures of variability. The descriptive analysis of these items and concepts is provided in this section.

7.4.1 Descriptive Statistics: Pricing antecedents

Table 7.2 summarizes the median, range, and distribution of the replies to questions on the causes of price changes, as reported by the respondents themselves. The table's numbers represent how significantly SME respondents valued each of the pricing antecedents.

The median scores range from 3.11 to 4.02 on a scale from 1 to 5, as shown in Table 7.2. Of the fifteen items, only one has a mean score higher than 4, while the rest all have means higher than 3. Overall, the average is higher than 2. It's often a very excellent performance. That's why it seems like this distribution is the best possible one. In this way, all Businesses may confidently sell their goods at the pricing listed.

The data set has a modest dispersion intensity, as shown by Table 7.2. Variability is low when measured against a standard deviation. Standard deviations vary from around 0.77 to about 0.87. As a result, it seems that there is minimal room for error between individual surveys and the average. As the standard deviation of a data collection goes down, it means that the values are converging on the mean.

Table 7.2 displays skewness and kurtosis, two measures of dispersion, to define the distribution of price antecedent indicators. The skewness of the distribution, as shown in the table, falls within the interval [-0.107, -0.848]. If the numbers are within this range, the distribution is likely typical. When the absolute skewness value is more than 2, as Mardkoff (2016) argues, there is a considerable divergence from the normal distribution. The research demonstrates that symmetrical skewness is more prevalent than asymmetrical skewness among the price antecedent indicators.

Also, the kurtosis values, which account for the heaviness of the distribution's peak and tail, are shown in Table 7.2. Using absolute numbers, the price antecedents kurtosis may be found to be anywhere from -0.944 to 0.817. Because of this, a kurtosis value below 3 indicates a distribution with fatter tails than the normal distribution. According to the findings, the kurtosis of price precursor indicators is more normal and has tamer tails than nonnormal distributions.

Table 7.2: Descriptive statistics of antecedents of pricing

Scale Items	Mean	Standard Deviation	Skewness	Kurtosis
Competition-related conditions				
High possibility of new competitors entering into the market	3.9205	.80229	-.784	.771
Large number of competing services	3.8946	.80161	-.132	-.775
Prices are determined by the market's own mechanisms	3.7948	.77487	-.203	-.365
Intensive competition in the market	3.9113	.87532	-.558	-.137
Corporate and marketing strategy-related conditions				
Attraction of new customers	3.8872	.80522	-.818	.793
Reduction of the price more easily in the future	3.8780	.83660	-.148	-.565
Achievement of a satisfactory market share	3.8115	.83085	-.472	.088
Need to make the service well-known	3.7893	.85416	-.387	-.320
Creation of a prestigious image	3.9150	.83676	-.848	.804
Ability to reduce the cost as the production increases	4.0000	.81650	-.225	-.944
Coverage of the service's development costs	4.1035	.79838	-.539	-.340
Customer-related conditions				
Customers are aware of the specific service	3.9187	.78931	-.558	.469
Customers are aware of the prices offered in the market	3.8373	.81387	-.107	-.633
High potential demand	3.7911	.78575	-.119	-.528
High price elasticity	3.9187	.79631	-.693	.817

7.4.2 Descriptive statistics: Pricing Strategies

Table 7.3 shows a breakdown, by means of averages and standard deviations, of the answers to questions on respondents' pricing strategies. SME respondents' opinions on the importance of several price indicators are reflected in the table's numbers.

Scores on a 1–5 scale ranged from 3.74 to 3.97 on average (see Table 7.3 for details). The average scores on all 15 measures are over 3. The average score for any item cannot be reduced to less than 2. The average performance is rather good. Hence, the distribution seems to be optimal. As a result, all SMEs have an accurate understanding of the prices indicated for their products.

Table 7.3 results also show a low degree of dispersion. The standard deviation indicates that the amount of variation is low. Values between 0.72 and 0.84 are possible for the standard deviation. This suggests that there is little variation between individual responses and the overall average. Hence, a smaller standard deviation is indicative of a tighter clustering of values in the data set around the mean.

Table 7.3 shows the skewness and kurtosis distributions of the pricing method indicators. The values of the distribution's skewness are shown in the table, where they range from -0.921 to -0.030. Distributions are likely normal if they fall within this band of numbers. According to Mardkoff's (2016) reasoning, a significant departure from the normal distribution occurs when the absolute skewness value is greater than 2. According to the findings, there is more symmetry than asymmetry in the skewness of the pricing method indicators.

Table 7.3 also includes the kurtosis measuring the heaviness of the distribution's peak and tail. The absolute kurtosis values for the pricing schemes might range from -0.974 to 0.970. Hence, a kurtosis value below 3 denotes a distribution with wider tails than the normal distribution. According to the results, kurtosis indicators for price objectives had narrower tails and a more typical distribution shape than non-normal distributions.

Table 7.3: Descriptive statistics of pricing strategies

Scale Items	Mean	Standard Deviation	Skewness	Kurtosis
Cost-based pricing				
Variable costs of products/services	3.9501	.82063	-.150	-.974
Price necessary to break-even	3.9150	.78891	-.439	.338
Investments in products/services	3.8373	.80701	-.184	-.474
Target margin guidelines	3.8688	.81614	-.575	.340
Target return on sales levels	3.9501	.82063	-.150	-.974
Competition-based pricing				
Price of competitors' products/services	3.9723	.73609	-.656	.964
Competitors' current price strategy	3.8152	.82047	-.030	-.735
Likelihood of competitors' strength to react	3.7431	.82696	-.280	-.227
Market structure (number and strength of competitors)	3.8669	.84153	-.568	.173
Degree of competition on the market	3.8817	.83934	-.528	.199
Value-based pricing				
Advantages of the product compared to competitors' products/services	3.9113	.76466	-.921	.970
Customer perceived value of the products/services	3.8540	.81816	-.234	.135
Customer willingness to pay for the unique benefits of the product/services	3.8817	.72830	-.276	-.124
Balance between advantages of products/services and price	3.8133	.82568	-.334	-.286
Differentiated value drivers of our products/services compared to substitutes	3.8577	.80512	-.399	.096

7.4.3 Descriptive statistics: Pricing objectives and pricing capabilities

Table 7.4 displays the mean, standard deviation, and distribution of answers to questions probing respondents' pricing strategies. SME respondents' opinions on the importance of several price indicators are reflected in the table's numbers.

The average rating on a scale from 1 to 5 is 3.80 on average, with a range of 3.80-3.93 shown in Table 7.4. The average scores on all 15 measures are over 3. The average score for any item can be equal to or greater than 2. The average performance is rather good. Hence, the distribution seems to be optimal. As a result, SMEs have an accurate understanding of the prices indicated for their products.

Data dispersion is rather mild, as seen in Table 7.4. The standard deviation indicates that the amount of variation is low. Standard deviations may be anything from 0.72 to 0.99. This suggests that there is little variation between individual responses and the overall average. Thus, a smaller standard deviation is indicative of a tighter clustering of the information's values set around its mean.

The skewness and kurtosis measurements of the distributions of price objectives and pricing skills are shown in Table 7.4. The table shows that the skewness of the distribution may take on values between -0.982 and -0.208. If the numbers are within this range, the distribution is likely typical. When the absolute skewness value is more than 2, as Mardkoff (2016) argues, there is a considerable divergence from the normal distribution. According to the results, symmetric skewness was more common among the indicator variables included in establishing price targets than asymmetric skewness was.

Table 7.4 also displays the values of kurtosis, a statistic that takes into consideration the weight of the distribution's outlying points. Absolute kurtosis levels may range from -0.723 to 0.914% for both fixed-price objectives and pricing leeway. Hence, a kurtosis value below 3 denotes a distribution with wider tails than the normal distribution. According to the results, kurtosis indicators for price objectives had narrower tails and a more typical distribution shape than non-normal distributions.

Table 7.4: Descriptive statistics of pricing objectives and pricing capabilities

Scale Items	Mean	Standard Deviation	Skewness	Kurtosis
Pricing capabilities				
Using pricing skills and systems to respond quickly to market changes	3.9316	.72835	-.327	.246
Conducting value-in-use analysis or Total Cost of Ownership	3.8299	.77741	-.648	.657
Designing and conducting specific pricing training programs	3.9298	.78094	-.696	.709
Developing proprietary internal price management process	3.9057	.79605	-.822	.801
Doing an effective job of pricing products/services	3.8577	.81427	-.208	-.398
Sticking to price list and minimizing discounts	3.9298	.78567	-.497	.235
Quantifying customers' willingness to pay	3.8059	.81946	-.520	.325
Measuring and estimating price elasticity for products/services	3.8780	.82546	-.662	.828
Knowledge of competitors' pricing strategies	3.8004	.83048	-.372	-.149
Monitoring competitors' prices and price changes	3.8743	.80214	-.439	.175
Pricing Objectives				

Target return on investment	3.8262	.99784	-.982	.896
Target markup	3.9501	.79774	-.218	-.723
Price stabilization	3.8521	.74557	-.426	.402
Market share	3.8281	.79234	-.626	.914
Match competitors' pricing	3.8688	.84292	-.735	.904

7.5 Structural Equation Modelling – SEM

In this study, we used a two-stage approach to SEM employing Partial Least Squares - PLS to analyze the expected relationships. SmartPLS 4 is employed as the analytical tool. The SEM procedure begins with the measurement model and continues with the structural model. The structural model examines the interrelationships between latent variables, whereas the measurement model probes the connections between latent variables and the associated measures.

A confirmatory factor analysis (CFA) was conducted to check the measurement model's reliability and validity prior to examining the anticipated correlations. Measurement models, including those using data collected via tests, grades, and observations of conduct, are the primary focus of confirmatory factor analysis (CFA), a kind of structural equation modeling (Brown & Moore, 2012). Methods for Measuring Dependent Variable (e.g., factor analysis) are used to determine how many and what types of factors account for a collection of indicators' variation and covariance. An unmeasured factor impacts and explains the relationships among several measurable variables. In other words, if the latent concept were removed, there would be no relationships between the observed measurements. As the number of factors in a CFA-based measurement model is less than the number of measured variables, it allows for a more succinct understanding of the covariation among a set of indicators. As the results of the confirmatory factor analysis showed, the model is worth investigating further.

7.6 Measurement model

Some kind of empirical assessment or estimate of the correlation between constructs and the indicators used to monitor them is essential to any assessment of a measurement system (Purwanto & Sudargini, 2021). The measurement models could prove the accuracy of the measurements (Purwanto & Sudargini, 2021). So, the assessment of measurement model estimates may further evaluate the construct's tenability and validity measurements. Reliability of internal consistency, concurrent validity, divergent validity, and covariance are just a few of the metrics used by PLS-SEM to evaluate the accuracy, validity, and trustworthiness of a measurement model (reliability and validity).

Tables 7.5 and 7.7 provide tabular summaries of the results, collinearity, internal consistency, convergent validity, discriminant validity, antecedents, and moderators of pricing strategies for SMEs.

7.6.1 Reliability and validity

According to Bolaji and Adeoye (2018), a scale's absence of random mistake indicates its dependability. Odoom & Mensah (2019) describe dependability as "the extent to which a researcher may trust the outcomes of a study" and "an indication that the indicators are consistent, stable, predictable, and accurate" (Hair et el., 2021). The precision of the measuring techniques used is therefore an essential concept for this investigation. Basically, the predictors and construct factors used in the research only have credibility if they hold up to replication. Measuring something in a laboratory guarantees reproducibility. Using an internal consistency reliability test, we confirmed the measurement model's results.

Internal consistency exists between the Reliability calculation and the latent construct set and its variables (Hair et el., 2021). Price Antecedents, Pricing Strategies, and SME Performance are each subjected to a reliability study. The following table details the validity and reliability of the research variables.

Table 7.5: Reliability and validity measures and dimensions of study constructs

Constructs/Measurement Items	Loadings	Composite Reliability (CR)	Average Value Extracted (AVE)
		CR ≥ 0.70	**AVE ≥ 0.50**
PRICING ANTECEDENTS			
Competition-related conditions		**0,928**	**0,763**
High possibility of new competitors entering into the market	0,878		
Large number of competing services	0,834		
Prices are determined by the market's own mechanisms	0,901		
Intensive competition in the market	0,879		
Corporate and marketing strategy-related conditions		**0,912**	**0,598**
Attraction of new customers	0,853		
Reduction of the price more easily in the future	0,701		
Achievement of a satisfactory market share	0,723		
Need to make the service well-known	0,844		
Creation of a prestigious image	0,709		
Ability to reduce the cost as the production increases	0,789		
Coverage of the service's development costs	0,778		
Customer-related conditions		**0,800**	**0,501**
Customers are aware of the specific service	0,728		
Customers are aware of the prices offered in the market	0,754		
High potential demand	0,689		
High price elasticity	0,655		

PRICING STRATEGIES			
Cost-based pricing		**0,880**	**0,597**
Variable costs of products/services	0,881		
Price necessary to break-even	0,723		
Investments in products/services	0,712		
Target margin guidelines	0,709		
Target return on sales levels	0,821		
Competition-based pricing		**0,906**	**0,659**
Price of competitors' products/services	0,811		
Competitors' current price strategy	0,799		
Likelihood of competitors' strength to react	0,845		
Market structure (number and strength of competitors)	0,810		
Degree of competition on the market	0,792		
Value-based pricing		**0,941**	**0,763**
Advantages of the product compared to competitors' products/services	0,911		
Customer perceived value of the products/services	0,878		
Customer willingness to pay for the unique benefits of the product/services	0,812		
Balance between advantages of products/services and price	0,897		
Differentiated value drivers of our products/services compared to substitutes	0,865		
MODERATORS			
Pricing capabilities		**0,954**	**0,676**
Using pricing skills and systems to respond quickly to market changes	0,712		
Conducting value-in-use analysis or Total Cost of Ownership	0,733		
Designing and conducting specific pricing training	0,865		

programs			
Developing proprietary internal price management process	0,722		
Doing an effective job of pricing products/services	0,756		
Sticking to price list and minimizing discounts	0,778		
Quantifying customers’ willingness to pay	0,924		
Measuring and estimating price elasticity for products/services	0,911		
Knowledge of competitors’ pricing strategies	0,891		
Monitoring competitors’ prices and price changes	0,889		
Pricing Objectives		**0,906**	**0,660**
Target return on investment	0,712		
Target markup	0,797		
Price stabilization	0,860		
Market share	0,768		
Match competitors’ pricing	0,910		

Composite reliability values greater than 0.70 indicate acceptable dependability (Eisinga et al., 2013). In Table 7.5, the values show that the Composite dependability for all types of variables (Pricing Antecedents, Pricing Strategies, and Moderators) is more than 0.70, showing that the reliability has been built correctly. The overall dependability of all variables is more than 0.70, as anticipated by Hair et al. (2021).

7.6.2 Internal consistency reliability (ICR):

An internal consistency test may be used to assess the validity of a research scale. Internal consistency is the degree to which several measurements of the same concept corroborate one another (Eisinga et al., 2013). Cronbach's alpha and composite reliability (CR) scores are common ways for PLS-SEM internal consistency evaluation (Purwanto & Sudargini, 2021).

7.6.3 Convergent validity

Two or more measurements of the same notion have convergent validity if and only if there is a strong correlation between them (Hair et al., 2021). This stems from the idea that indicators (measures) of a certain concept need to converge and have substantial overlap in their coefficients of variation. By computing the AVE and the indicator outer loadings, PLS-SEM may be used to evaluate the convergent validity of measurement models (IOL).

7.6.4 Indicator outer loadings

The indicator outer loadings (IOL) illustrate the connections between indicators and the structures they quantify (Hair et al., 2021). In this study, we use the IOL to deduce the dimensions and indicators of the relationships between pricing antecedents and pricing strategies, pricing strategies and SME performance, and so on. To see an example of this, see table 7.4. A minimum IOL of 0.655 must be maintained. The indicator may be deleted even if it is not statistically significant if doing so would raise the composite reliability or AVE and the IOL is more than 0.40 but less than 0.70. (Hair et al., 2021).

7.6.5 Average Variance Extracted (AVE)

The average variance extracted (AVE) is the geometric mean of the squared loadings of the construct-related indicators, as stated by Hair et al. (2021). Using the AVE, this study dissects the relationships between price antecedents, pricing strategies, and firm performance along each dimension and indicator. Table 7.5 details the results of AVE. The arithmetic mean effect size (AVE) of pricing antecedents that are related to the level of competition is 0.763%; the arithmetic mean AVE of pricing antecedents that are related to corporate and marketing strategy is 0.598; and the arithmetic mean AVE of pricing antecedents that are related to customers is 0.501. Average revenue earned is 0.597 for cost-based pricing, 0.659 for competition-based pricing, and 0.763 for value-based pricing. The AVE for "Pricing Objectives" is 0.660, while the AVE for "Pricing Capabilities" is 0.679. Hair et al. (2021) anticipated an AVE in PLS-SEM of at least 0.50. Every single concept in this investigation had an AVE greater than 0.50. Convergent validity has been shown for the measurement models used in this investigation.

7.6.6 Discriminant validity

Hair et al. (2021) say that discriminant validity (DV)is "the extent to which one thought is objectively distinct from another." This implies that the reality recorded by one model construct should be different from the reality captured by another model construct. Discriminant validity, as it pertains to this study shows that pricing strategies, pricing causes, pricing objectives, and pricing capabilities are all separate entities that correspond to particular events. Discriminant validity of measurement models may be assessed by using PLS-SEM and its three criteria for doing so: cross-loadings (CL), the Fornell-Larcker Criterion (FLC), and the Heterotrait-Monotrait Criterion (HMC) (HTMT).

Table 7.6: HTMT discriminant validity

	1	2	3	4	5	6	7
Cost-based pricing							
Value-based pricing	0,428						
Competitor-based pricing	0,690	0,789					
Customer related conditions	0,823	0,689	0,656				
Competitor-related conditions	0,652	0,598	0,831	0,673			
Corporate & Marketing condition	0,772	0,721	0,698	0,635	0,713		
Pricing Objective	0,547	0,600	0,484	0,639	0,657	0,755	
Pricing capability	0,451	0,527	0,612	0,567	0,654	0,601	0,798

The HTMT is a weighted average of all correlations between indicators measuring various constructs (Hair et al., 2021). HTMT, as defined by Hair et al. (2021), is a measure of the estimated true correlation between two constructs, provided that the constructions were assessed correctly. Their findings suggested that a problem with discriminant validity exists the BCI of the indicators or dimensions consists 1. In this study, we looked for BCI values of 1 or close to 1 across all potential price antecedents, pricing methods, and pricing modifiers. The BCI values in Table 7.6 are all off by 1 on all dimensions. One might conclude that the measuring models used in this investigation have good discriminant validity.

7.6.7 Collinearity assessment of dimensions and indicators

High levels of collinearity occur when three or more variables or aspects of a notion are closely associated with one another. A collinearity risk exists when three or more indicators have a highly correlated relationship (Purwanto & Sudargini, 2021). As collinear indicators result in inaccurate estimates of the coefficient and significance of a construct's variables and measures, as well as an increase in standard errors, they provide methodological and interpretive challenges (the difference between the true value of a variable and the value obtained by a measurement). That's why it's crucial to think about how your variables and metrics are correlated with one another.

In PLS-SEM, the tolerance level (TOL) and variance inflator factor are used to test for collinearity (VIF). When attempting to quantify the degree of collinearity between indicators or construct dimensions, TOL and VIF are useful tools. The total amount of a concept's volatility that cannot be accounted for by correlations between its indicators or dimensions is called its TOL by Purwanto and Sudargini (2021).

The VIF, per their definition, is the negative of the amount of unexplained variation in a given indicator that can be accounted for by looking at other variables having similar properties. The Variance Inflation Factor (VIF) measures how much the standard error is inflated when there is a strong relationship between the elements of a given construct.

Their results revealed that VIF values given as standard practice when examining the collinearity of measurement models, even though Purwanto and Sudargini (2021) showed that TOL and VIF convey practically the same information.

Table 7.7: Collinearity Statistics - VIF

Constructs/Measurement Items	**Loadings**
PRICING ANTECEDENTS (CONDITIONS)	
Competition-related conditions-*(Indounas & Avlonitis, 2010)*	
High possibility of new competitors entering into the market	1,437
Large number of competing services	1,165
Prices are determined by the market's own mechanisms	1,246
Intensive competition in the market	1,340
Corporate and marketing strategy-related conditions-*(Indounas & Avlonitis, 10)*	
Attraction of new customers	1,251
Reduction of the price more easily in the future	1,155
Achievement of a satisfactory market share	1,123
Need to make the service well-known	1,263
Creation of a prestigious image	1,278
Ability to reduce the cost as the production increases	1,305
Coverage of the service's development costs	1,127
*Fast rate of the new service's adoption	Deleted
*Sale of other services at higher prices	Deleted
*Discouragement of new competitors entering into the market	Deleted
Customer-related conditions - *(Indounas & Avlonitis, 2010)*	
Customers are aware of the specific service	1,034
Customers are aware of the prices offered in the market	1,070
High potential demand	1,061
High price elasticity	1,056
PRICING STRATEGIES	
Cost-based pricing- *(Rapaccini, 2015; Liozu & Hinterhuber, 2013)*	
Variable costs of products/services	1,215
Price necessary to break-even	1,148
Investments in products/services	1,241
Target margin guidelines	1,111
Target return on sales levels	1,117
Competition-based pricing - *(Liozu & Hinterhuber, 2013)*	
Price of competitors' products/services	1,127

Competitors’ current price strategy	1,101
Likelihood of competitors’ strength to react	1,206
Market structure (number and strength of competitors)	1,137
Degree of competition on the market	1,286
*Competitive advantage of competitors in the market	Deleted
Value-based pricing - *(Rapaccini, 2015; Liozu & Hinterhuber, 2013)*	
Advantages of the product compared to competitors’ products/services	1,154
Customer perceived value of the products/services	1,113
Customer willingness to pay for the unique benefits of the product/services	1,160
Balance between advantages of products/services and price	1,217
Differentiated value drivers of our products/services compared to substitutes	1,122
MODERATORS	
Pricing capabilities – *(Liozu & Hinterhuber, 2013)*	
Using pricing skills and systems to respond quickly to market changes	1,274
Conducting value-in-use analysis or Total Cost of Ownership	1,220
Designing and conducting specific pricing training programs	1,175
Developing proprietary internal price management process	1,313
Doing an effective job of pricing products/services	1,224
Sticking to price list and minimizing discounts	1,269
Quantifying customers’ willingness to pay	1,269
Measuring and estimating price elasticity for products/services	1,237
Knowledge of competitors’ pricing strategies	1,224
Monitoring competitors’ prices and price changes	1,250
*Measuring and quantifying differential economic value versus competition	Deleted
*Designing proprietary tools to support pricing decisions	deleted
Pricing Objectives	
Target return on investment	1,115
Target markup	1,238
Price stabilization	1,218
Market share	1,265
Match competitors’ pricing	1,135

7.7 Evaluation of structural models

Methods for objectively evaluating a model's accuracy in making predictions and the robustness of its constituent parts and their interactions are known as structured model evaluation (Purwanto & Sudargini, 2021). Thus, the primary criteria for assessing structural models is the accuracy of their forecasts as determined by the quality of the independent components. Parameters of the structural model were estimated using PLS-SEM to increase the amount of variation accounted for by the constructs. PLS-SEM uses a methodical technique to objectively evaluate a model's framework.

7.7.1 The rationale for PLS-SEM

According to Chin (1998), indicators and the measurement error of the observed variable make it possible for structural equation modeling to offer indirect assessment of unobservable variables. A comparison of the two types of structural equation modeling proposed by Lowry and Gaskin (2014) reveals:

They include:

- Variance-Based Structural Equation Modeling
- Co-variance-Based Structural Equation Modeling (VB-SEM).

The Least Squares (PLS) method of partial SEM is regarded as the "most thoroughly developed general system" (McDonald, 1996), "silver bullet" (Hair et al., 2011), and "Full-fledged SEM methodology" (Hair et al., 2011). (Henseler et al., 2016). SmartPLS 4 and Variance Based Structural Equation Modelling are used in this study.

Because of its reliability in a variety of applications, including explanation (Memon et al., 2021), prediction (Kaur, 2020), and theory testing and development, PLS-SEM was utilized in this exploratory study (Memon et al., 2021; Kaur, 2020). This is according to (Purwanto & Sudargini, 2021). PLS-SEM, as stated by Memon et al. (2021), is particularly useful in exploratory studies, and it also has the following applications:

- PLS-SEM outperforms standard SEM methods because it makes use of a wide variety of statistical techniques to examine the associations between several variables (including independent, dependent, moderator, and moderator variables).

- The effects of measurement error are mitigated using PLS-bootstrapping SEM, leading to a more trustworthy score from PLS-SEM structures.
- PLS-SEM can capture a broad range of measurement model properties in the form of composite factor models, and it can be validated using Standardized Root Mean Square Residual Analysis (SRMR).

Path coefficient analysis and significance testing without hypotheses are two areas where PLS-SEM excels (NHST).

As PLS-SEM converges more quickly, it is the preferred statistical approach for small sample sets.

To maximize the variance explained (R2) of the endogenous latent variables in the route model, a technique called partial least squares structural equation modeling (PLS-SEM) is used to depict the predictive abilities of the model (Purwanto & Sudargini, 2021).

PLS-SEM was chosen as the SEM method for multivariate analysis because of its specific features and suitability to the study. Measuring models (called "external" models) and structural models (called "inner" models) are the two halves of PLS-SEM, as described by Purwanto and Sudargini (2021). The measuring model, in their view, elucidates the connection between infrastructure and performance metrics. Nevertheless, structural models reveal the interconnections between parts.

Using PLS-SEM, we can examine the moderating effects of pricing antecedents on pricing strategies and the impact of pricing strategies on SME performance. Estimates of the projected linkages between the constructs, together with their direction and strength, were obtained using route standardized coefficients.

The degree of variation in the dependent construct that can be attributed to the independent constructs associated with it is represented by the coefficient of determination (R2) (Hair et al., 2017). The route model's predictability is quantified by R2.

In this study, we utilize p-values to test the robustness of competing hypotheses about the relationships between causes and their effects. We say that findings are significant if and only if the p-value is less than 0.05.

The hypotheses are evaluated using conventional cause and effect models. Using PLS-SEM route models, we can see that there is a direct impact from one construct to another construct, independent of any other influences in the system (Hair et al., 2017). This is due to the fact that in simple cause-and-effect models, exogenous and endogenous factors have direct influence correlations.

Research objectives and the causal-steps approach inform the development of a structural model (Baron & Kenney, 1986). The expected effects were analyzed using bootstrapping, which included checking the path standardized coefficients, the coefficient of determination (R2), the significance level of the connection between the constructs, and the p-values. The moderating effect of pricing abilities and objectives was examined using multiplication. The multiplicative moderation analysis variables were all normalized before the bootstrapping. The results of the structural model are as follows:

Table 7.8: SEM Path Analysis model with Pricing Antecedents, Pricing Strategies and Pricing objectives and Pricing capabilities

Relationships	***Path efficient***	***P Values***
Controls		
No. of Owners -> Market Share Growth	0,379	0,008
No. of Owners -> Profit Growth	0,006	0,980
No. of Owners -> Sales Growth	0,479	0,003
Sector -> Market Share Growth	0,042	0,443

Sector -> Profit Growth	0,029	0,662
Sector -> Sales Growth	0,066	0,256
Non-Hypothesized Relationships		
Pricing Capability -> Competitor-based Pricing	0,057	0,210
Pricing Capability -> Cost-based Pricing	0,249	0,000
Pricing Capability -> Value-Based Pricing	0,189	0,000
Pricing Objective -> Competitor-based Pricing	0,033	0,416
Pricing Objective -> Cost-based Pricing	0,140	0,000
Pricing Objective -> Value-Based Pricing	0,146	0,000
Pricing Capability -> Profit Growth	0,054	0,511
Pricing Capability -> Sales Growth	0,098	0,306
Pricing Capability -> Market Share Growth	-0,085	0,318
Pricing Objective -> Profit Growth	0,050	0,478
Pricing Objective -> Sales Growth	0,153	0,009
Pricing Objective -> Market Share Growth	0,037	0,623
Hypothesized Relationships		
Antecedent-Pricing Strategy Paths		
Competitor-related condition -> Competitor-based Pricing	0,267	0,000
Competitor-related condition -> Cost-based Pricing	0,268	0,000
Competitor-related condition -> Value-Based Pricing	0,263	0,000
Corporate and Market Condition -> Competitor-based Pricing	0,448	0,000
Corporate and Market Condition -> Cost-based Pricing	0,183	0,003
Corporate and Market Condition -> Value-Based Pricing	0,297	0,000
Customer Related Condition -> Competitor-based Pricing	0,010	0,815
Customer Related Condition -> Cost-based Pricing	0,069	0,089
Customer Related Condition -> Value-Based Pricing	0,276	0,000
Pricing Strategy-Performance Paths		
Cost-based Pricing -> Market Share Growth	0,057	0,543
Cost-based Pricing -> Profit Growth	0,198	0,000

Cost-based Pricing -> Sales Growth	-0,093	0,123
Competitor-based Pricing -> Market Share Growth	0,046	0,574
Competitor-based Pricing -> Profit Growth	0,106	0,081
Competitor-based Pricing -> Sales Growth	0,066	0,601
Value-Based Pricing -> Market Share Growth	0,189	0,002
Value-Based Pricing -> Profit Growth	0,134	0,018
Value-Based Pricing -> Sales Growth	0,125	0,034
Interaction Moderators: Pricing Capability and Objective		
Pricing Capability x Cost-base -> Market Share Growth	0.471	0.000
Pricing Capability x Cost-base -> Profit Growth	0.070	0.534
Pricing Capability x Cost-base -> Sales Growth	0,010	0,442
Pricing Capability x Competitor-based -> Market Share owth	-0,040	0,215
Pricing Capability x Competitor-based -> Profit Growth	0.151	0.008
Pricing Capability x Competitor-based -> Sales Growth	-0.091	0.555
Pricing Capability x Value-based -> Market Share Growth	0.306	0.000
Pricing Capability x Value-based -> Profit Growth	0,100	0,099
Pricing Capability x Value-based -> Sales Growth	0.124	0.038
Pricing Objective x Competitor-based -> Market Share owth	0,030	0,345
Pricing Objective x Competitor-based -> Profit Growth	-0.101	0.082
Pricing Objective x Competitor-based -> Sales Growth	-0.053	0.489
Pricing Objective x Cost-base -> Profit Growth	0.141	0.029
Pricing Objective x Cost-base -> Market Share Growth	0.368	0.000
Pricing Objective x Cost-base -> Sales Growth	0,052	0,213
Pricing Objective x Value-based -> Market Share Growth	0.278	0.008
Pricing Objective x Value-based -> Profit Growth	0,139	0,010
Pricing Objective x Value-based -> Sales Growth	0.114	0.041

7.7.2 Path standardized coefficients (direction)

The analysis may have overstated the significance of the expected connections due to the inclusion of many firm-level characteristics. The number of owners and the kind of industry in which a SME operated were utilized as control variables in the study to determine their effects on the dependent variable. Not only were postulated connections included, but so were any others that were shown to be both significant and not previously hypothesized.

The first group of encounters was expected to examine how antecedents and conditions affected the price decisions made by SMEs. The results demonstrate strong ties between the different price contexts and pricing strategies. There are just two connections that lack statistical significance: one between customer circumstances and competitor-based pricing, and another between customer circumstances and price based on costs.

After that, we postulated that SME performance was directly related to pricing strategy. Growth in market share, profits, and revenue were all shown to be significantly correlated with the adoption of a value-based pricing strategy. Yet, pricing strategies that take into account the actions of competitors were shown to have no impact on any measure of SME success. There was a significant correlation between using a cost-based pricing strategy and increasing profits, but not with expanding market share or increasing revenue.

To test whether price objectives and pricing flexibility moderated pricing strategies and SME performance, we used the multiplicative approach of moderation assessment, as stated before. The results show that pricing capability moderates the growth of all four dimensions: market share (based on costs), competitor share (based on profits), value share (based on sales), and value growth (based on market share. The other factors little affected the pricing skills or strategies of the others.

Instead, expenses based on profit expansion and market share gain were moderated by the price objective. In addition, the value-based approach and all of the SME performance

measures, including market, profit, and sales growth, were moderated positively by the price goal, which was statistically significant.

Coefficient of determination is a statistical measure of how much variation in the dependent construct can be attributed to the group of independent constructs (R2). R2 measures how much a set of independent factors influences a dependent variable overall (Hair et al., 2017). Predictive ability of the route model is shown by R2. Values of 0.75, 0.50, and 0.25 for R2 indicate a strong, moderate, and poor degree of prediction accuracy, respectively, within the typical 0-1 range (Hair et al., 2020; Henseler et al., 2018).

Table 7. 9: R-Square

Constructs	***R-Square***
Cost – Based pricing strategy	0.575
Competitor – Based Pricing strategy	0.625
Value-based pricing strategy	0.613
Sales-growth	0.288
Profit-growth	0.237
Market-share growth	0.225

R2 values between 0.50 and 0.75 present a large to moderate degree of accuracy for cost-based, competitor-based, and value-based pricing methods. As regards accuracy, the R2 values for sales growth, profit growth, and market share growth all hover around 0.25.

7.7.3 Q – Square

The measure of predictive relevance Q-square indicates whether or not a model has predictive value (Q2 > 0 is favorable). Q2 further establishes the predictive importance of the endogenous constructs. When the Q-square is bigger than zero (Q2 > 0), the model is predictively applicable and your values have been generated appropriately. When Q2 is larger than zero, the model has predictive validity.

Table 7.10: ***Q-Square***

Constructs	***Q-Square***
Cost – based Pricing Strategies	0.563
Competitor – Based Pricing Strategies	0.615
Value – Based Pricing Strategies	0.599
Sales Growth	0.328
Profit Growth	0.360
Market – Share Growth	0.342

As all the Q^2 values in Table 7.10 are greater than zero, it is predicted that the model is relevant and has been accurately constructed.

7.8 Sub-group moderation effect analysis

To assess the possible moderating influence of SME age and size, the research used the Smart PLS subgroup moderation method. In each instance, two subgroups were formed. The whole model was then applied to these subgroups. As the purpose of the study was to compare coefficients, path significance was disregarded in favor of group differences. The Welch-Satterthwait test was administered to the two groups based on SEM age and SEM size. If the Welch-Satterthwait test reveals a significant difference, a hypothesis will be accepted, and this will be observed for each of the relevant routes in the study's model.

7.8.1 SME Path Analysis: SME Age

To examine the effect of SME age as a moderator, the research separated the data set into two groups: SMEs younger than 5 years and those older than 5 years. While the individual pathways in the table below are seen to be significant, their Welch-Satterthwait test revealed no significant differences. The Welch-Satterwait test, sometimes referred to as the he null hypothesis that the means of two populations are identical is tested using the unequal variance t-test, a two-sample location test. are equal. A version of the student's t-test that carries the name of Bernard Lewis Welch. When the two samples have distinct variances and maybe different sample sizes, the results are more trustworthy.

The two-sample location test compares the two samples' location characteristics. When the two groups reflect research participants who got two unique treatments, this is a common occurrence. The purpose of this study is to investigate if one therapy typically produces a greater response than the other. In a two-sided test, it is of interest if one of the treatments is superior to the other, but in a one-sided test, it is specified prior to the analysis that it is only of interest if a certain treatment yields superior results.

Welch's t-test is used to compare means in this research since the variances of two tested means from distinct populations are not comparable. This test will help us estimate the t distribution for two populations with normal distributions.

Table 7.11: Sub- Group Moderation Path – SME Age

Relationships	**>5 years**		**≤5 years**	
	Path Coefficient	**P Values**	**Path Coefficient**	**P Values**
Interaction Moderators: Pricing strategies and SME performance				
Cost-based Pricing -> Market Share Growth	0,049	0,243	0,061	0,223
Cost-based Pricing -> Profit Growth	0,201	0,000	0,175	0,000

Cost-based Pricing -> Sales Growth	-0,109	0,272	-0,183	0,163
Competitor-based Pricing -> Market Share Growth	0,024	0,281	0,016	0,447
Competitor-based Pricing -> Profit Growth	0,104	0,144	0,066	0,248
Competitor-based Pricing -> Sales Growth	0,113	0,098	0,047	0,360
Value-Based Pricing -> Market Share Growth	0,209	0,000	0,189	0,010
Value-Based Pricing -> Profit Growth	0,194	0,000	0,241	0,000
Value-Based Pricing -> Sales Growth	0,139	0,040	0,141	0,038
Interaction Moderators: Pricing Capability and Objective				
Pricing Capability x Cost-base -> Market Share Growth	0.534	0.000	0.365	0.000
Pricing Capability x Cost-base -> Profit Growth	0.077	0.303	0.103	0.119
Pricing Capability x Cost-base -> Sales Growth	0,021	0,352	0,034	0,289
Pricing Capability x Competitor-based -> Market Share Growth	-0,043	0,301	-0,029	0,291
Pricing Capability x Competitor-based -> Profit Growth	0.166	0.005	0.152	0.011
Pricing Capability x Competitor-based -> Sales Growth	-0.078	0.312	-0.031	0.265
Pricing Capability x Value-based -> Market Share Growth	0.327	0.000	0.289	0.000
Pricing Capability x Value-based -> Profit Growth	0,189	0,004	0,130	0,043
Pricing Capability x Value-based -> Sales Growth	0.134	0.040	0.149	0.030
Pricing Objective x Competitor-based -> Market Share Growth	0,035	0,389	0,0790	0,287
Pricing Objective x Competitor-based -> Profit Growth	-0.098	0.314	-0.102	0.132
Pricing Objective x Competitor-based -> Sales Growth	-0.067	0.356	-0.051	0.467
Pricing Objective x Cost-base -> Profit Growth	0.141	0.038	0.140	0.038
Pricing Objective x Cost-base -> Market Share Growth	0.322	0.000	0.301	0.000
Pricing Objective x Cost-base -> Sales Growth	0,071	0,332	0,056	0,356
Pricing Objective x Value-based -> Market Share Growth	0.301	0.000	0.285	0.000

Pricing Objective x Value-based -> Profit Growth	0,151	0,008	0,132	0,010

Table 7.12: R-square

Constructs	***R - Square***
Sales growth	0.118
Profit growth	0.146
Market – Share growth	0.124

The R2 values for sales-growth, profit-growth, and market-share-growth of SMEs, which range from 0 to 0.25, show a decent degree of accuracy of the model's constructs.

Table 7. 13: Welch-Satterwait test: SME Age (>5 Years Vrs ≤ 5 Years)

Relationship	**Difference** **5 years - ≤5 Years)**	**p value** **>5 years - ≤5 Years)**
Cost-based Pricing -> Profit Growth	0,031	0.552
Value-Based Pricing -> Market Share Growth	0,029	0.645
Value-Based Pricing -> Profit Growth	-0,032	0.521
Value-Based Pricing -> Sales Growth	-0,007	0.912
Interaction Moderators: Pricing Capability and Objective		
Pricing Capability x Cost-base -> Market Share Growth	0,201	0.043
Pricing Capability x Competitor-based -> Profit Growth	0,019	0.712
Pricing Capability x Value-based -> Market Share Growth	0,041	0.491
Pricing Capability x Value-based -> Profit Growth	0,051	0.445
Pricing Capability x Value-based -> Sales Growth	-0,022	0.689
Pricing Objective x Cost-base -> Profit Growth	0,002	0.967
Pricing Objective x Cost-base -> Market Share Growth	0,029	0.644
Pricing Objective x Value-based -> Market Share Growth	0,021	0.698
Pricing Objective x Value-based -> Profit Growth	0,029	0.567

If you look at Table 7.11, you'll see that the p-values for all constructs are more than 0.05, demonstrating that the SME age is irrelevant for all hypothesized pathways. This demonstrates that none of the investigated correlations are weakened with increasing age. Thus, the link between price antecedents/conditions and pricing strategies, as well as the association between pricing strategies and SME performance, are not influenced by the age of the SME. Moreover, regardless of the age of the SME, price objectives and pricing capabilities have the same moderating effect.

Table 7.14: SEM Path Analysis: SME Size (>5 employees vs. ≤5 employees)

Relationships	> 5 employees		≤5 employees	
	Path Coefficient	**P values**	**Path Coefficient**	**P values**
Cost-based Pricing -> Market Share Growth	0,041	0,408	0,061	0,611
Cost-based Pricing -> Profit Growth	0,202	0,000	0,246	0,000
Cost-based Pricing -> Sales Growth	-0,105	0,197	-0,099	0,119
Competitor-based Pricing -> Market Share Growth	0,051	0,391	0,041	0,493
Competitor-based Pricing -> Profit Growth	0,100	0,089	0,095	0,092
Competitor-based Pricing -> Sales Growth	0,059	0,332	0,069	0,291
Value-Based Pricing -> Market Share Growth	0,203	0,002	0,171	0,003
Value-Based Pricing -> Profit Growth	0,145	0,015	0,131	0,023
Value-Based Pricing -> Sales Growth	0,151	0,009	0,119	0,041
Interaction Moderators: Pricing Capability and Objective				
Pricing Capability x Cost-based Pricing -> Sales Growth	0,512	0,000	0,470	0,000
Pricing Capability x Cost-base -> Market Share Growth	0.059	0.341	0.060	0.340
Pricing Capability x Cost-base -> Profit Growth	0,009	0,611	0,011	0,413
Pricing Capability x Competitor-based Pricing -> Market Share Growth	-0,042	0,232	-0,039	0,206
Pricing Capability x Competitor-based -> Profit Growth	0.156	0.008	0.149	0.009
Pricing Capability x Competitor-based -> Sales Growth	-0.088	0.618	-0.093	0.505
Pricing Capability x Value-based -> Market Share Growth	0.353	0.000	0.281	0.000
Pricing Capability x Value-Based Pricing -> Profit Growth	0,118	0,048	0,098	0,089
Pricing Capability x Value-based -> Sales Growth	0.136	0.029	0.120	0.041
Pricing Objective x Cost-based Pricing -> Sales Growth	0.149	0.020	0.140	0.027
Pricing Objective x Cost-base -> Market Share Growth	0.361	0.000	0.315	0.000
Pricing Objective x Cost-base -> Profit Growth	0,056	0,309	0,049	0,396
Pricing Objective x Competitor-based Pricing -> Market Share Growth	0,033	0,505	0,028	0,521
Pricing Objective x Competitor-based -> Profit Growth	-0.113	0.068	-0.098	0.083
Pricing Objective x Competitor-based -> Sales Growth	-0.062	0.292	-0.054	0.312

Pricing Objective x Value-Based Pricing -> Profit Growth	0.302	0.000	0.256	0.000
Pricing Objective x Value-based -> Market Share Growth	0,141	0,010	0,138	0,010
Pricing Objective x Value-based -> Sales Growth	0.120	0.041	0.131	0.033

Table 7.15: Welch-Satterthwaite test – SME Size (> 5 employees vs ≤5 employees)

Relationships	**Difference > 5 employees - ≤5 employees)**	**p value > 5 employees - ≤5 employees)**
Cost-based Pricing -> Profit Growth	-0,052	0.421
Value-Based Pricing -> Market Share Growth	0,045	0.498
Value-Based Pricing -> Profit Growth	0,019	0.709
Value-Based Pricing -> Sales Growth	0,049	0.487
Interaction Moderators: Pricing Capability and Objective		
Pricing Capability x Cost-based Pricing -> Sales Growth	0,039	0.522
Pricing Capability x Competitor-based -> Profit Growth	0,005	0.931
Pricing Capability x Value-based -> Market Share Growth	0,091	0.178
Pricing Capability x Value-Based Pricing -> Profit Growth	0,031	0.556
Pricing Capability x Value-based -> Sales Growth	0,020	0.699
Pricing Objective x Cost-based Pricing -> Sales Growth	0,011	0.789
Pricing Objective x Cost-base -> Market Share Growth	0,049	0.481
Pricing Objective x Value-Based Pricing -> Profit Growth	0,055	0.311
Pricing Objective x Value-based -> Market Share Growth	0,006	0.922
Pricing Objective x Value-based -> Sales Growth	-0,015	0.778

The results for SME Size as a moderator are shown in the two tables above (Table 7.14 and Table 7.15). The same methodology as the SME age analysis was used. The data was separated into SMBs with less than five employees and those with five or more workers. While there are indications of path importance in both samples, the Welch-Satterthwait test did not reveal any significant differences in the route coefficients. The findings indicate that the impact of pricing circumstances on pricing strategy and pricing strategy on performance is the same regardless of the size of the SME. In addition, the moderating impact of price objectives and pricing capabilities does not vary based on the size of the SME.

7.9 Chapter summary

This chapter provided evidence that the inquiry was multivariate, necessitating the use of multivariate analytic procedures such as structural equation modeling. SEM makes use of statistical methods that can evaluate several variables at once. The two primary SEM varieties, variance- and covariance-based SEM (CO-SEM), were described (PLS- SEM). The PLS-SEM model's inclusion was also warranted.

The quality of the constructions and dimensions was evaluated in this chapter by looking at the interplay between the theories, the variables, and the measurements. The constructs' validity and discriminant validity (HTMT) were evaluated using composite reliability, and the constructs' reliability measured by means of an indication outer loading and average variance extracted (AVE). The association between indicators and dimensions was also evaluated using the variance inflation factor (VIF).

Bootstrap confidence intervals (BCIs) were used to estimate the standard error of the data, t-values and p-values were used to determine statistical significance, and path standardized coefficients were used to inquire into the nature and strength of the relationship between the two constructs (SE).

The structural models reviewed in this chapter suggest a less than ideal link between price antecedents and pricing strategies. It also showed that there is a positive correlation between pricing methods and the performance of SMEs, suggesting that these techniques should be moderated. Moreover, the model discovered a positive association between the pricing strategies dependent variable and the independent variable (pricing capabilities) and the moderator variables (pricing objectives and pricing capabilities) (SME Performance).

CHAPTER 8

DISCUSSION OF FINDINGS

8.1 Introduction

The preceding chapter revealed the findings from the study of empirical data. In this part of thesis, we discuss these results. Using the objectives from Chapter 1 and the assumptions from Chapter 5, the results are discussed. Beginning with a overview of the study's objectives, this section provides crucial context for the rest of the report. The results are then discussed with the link to each of the stated objectives. A brief overview of this chapter follows.

8.2 Discussions

In this study, we focus on the corelation between pricing strategies and the prosperity of SMEs. This study looks at the effect of pricing strategies on the productivity of South African SMEs. The first few chapters of the study make a strong argument for price being one of the major challenges for SMEs today. According to the report's findings, if a small business (SME) wants to thrive and grow, it has to pay close attention to price since it's the only element of the 4Ps that really brings in money. The following discussions will attempt to provide empirical explanations for why certain pricing strategies are used and how certain performance indicators change as a result of changes in price for SMEs. In addition, the paper explores moderating aspects that might serve as possible boundary conditions for the efficacy of pricing strategies inside SEMs, while linear assumptions in strategy research provide little insight (see Anning-Dorson, 2017, 2021). The interviews are done to achieve the four objectives of the research.

8.3 Research Objective 1: Influence of pricing antecedents on pricing strategies

The fundamental objective of this study is to understand what factors and conditions influence SMEs in terms of pricing decisions. Assessing the factors that influence pricing strategies is essential for SMEs to boost their chances of survival and success via strategic pricing.

This study provides empirical evidence that price antecedents or conditions explain the selection of pricing strategies. Conditions that have nothing to do with customers and hence do not affect competitor-based pricing or cost-based pricing have a positive effect on the pricing strategy choice of SMEs. Cost-based pricing strategy, competition-based pricing strategy, and value-based pricing strategy all have considerable associations with all antecedents, including business and market antecedents, customer antecedents, and competition antecedents. The findings imply that there is a common thread across competitive, company, and marketing, and customer perspectives on price. Some examples of pricing strategies include those that are cost-based, competitor-based, or value-based.

All SMEs, from manufacturing and services to retail and wholesale, need price strategies. Companies use pricing strategies to establish selling prices for their goods and services. This helps them turn a profit and expand their operations. Most companies' pricing methods create a slew of problems, such as decreased profits and an inability to maintain operations in the long run. South African SMEs always fail because their pricing strategies are flawed; this is a result of their failure to properly investigate the causes of their pricing difficulties (Myers et al., 2002). A lack of business expertise about markets and price only makes this worse.

Corporate and market-related pricing antecedents like attracting new customers, achieving a satisfactory share in the market, knowing the services provided, creating a prestigious image, reducing the production cost, covering the costs of developing the service, a high rate of adoption of new services, the sale of other services at higher prices, discouraging new competitors from entering the market, and lowering the price morbidity. According to the model, these variables are closely linked to all pricing methods. This demonstrates how corporate and market circumstances outside the control of South African SMEs affect pricing decisions.

SMEs have a far more difficult time pricing and executing price strategies. One of the elements of the marketing mix that may be changed quickly is price. Value is the sole consideration in the price. Businesses selling to consumers and those selling to other businesses alike face a difficult but not wholly unique pricing dilemma. Surprisingly, despite the extreme difficulties in maintaining, many proportions are still commonly accepted. A pricing problem develops when many businesses, which are not always in agreement with one another, set their own prices and specials. Findings from this research agree with those from Sammut-Bonnici and Channon (2014). Sammut-Bonnici and Channon (2014) argue that pricing strategy need to be an integral component of strategic planning.

Subrahmanyan said that one of the biggest issues for business owners is offering prices that can't be matched by competitors (2000). Despite a mountain of academic literature and several methods for determining prices, broad strokes continue to guide retail today (Wagner & Beinke, 2006). Several additional research have come to the same conclusion that price antecedents have a significant and favorable connection with pricing methods as this one (Subrahmanyan, 2000; Wager & Beinke, 2006; Forman & Hunt, 2005). Finally, price antecedents are critical in shaping the pricing policies of SMEs.

The implication is that raising prices is the quickest and least difficult way for any size of organization to boost profits. McKinsey & Company found that firms in the S&P 1500 saw an 8.1% gain in operational profit for every one percent increase in price. Instead, operating income fell by 8.1% while prices dropped by just 1%. It is possible that the success of the Company may be significantly affected by setting reasonable prices.

A high price may be indicative of quality, but it won't matter if no one is willing to pay it. If your product is priced too cheap, customers will see it as subpar and pass it by. When setting prices, the goal should be to have customers choose your product over similar ones offered by rivals. SMEs may choose whether to use a skimming pricing strategy or a penetration pricing strategy depending on the market sectors they want to target. Most purchasers and consumers believe that a product's price directly correlates with its quality. Some people believe that low-priced products are low-quality, while others believe that high-priced products are wasteful and that consumers should instead choose for a different model that has the same or similar features and advantages. Findings suggest a robust connection between pricing structures and their origins.

8.4 Research Objective 2: Analysing the effects of pricing strategies and SME performance

Among the most glaring holes in the literature that prompted this investigation is the lack of consistency in the relation between pricing strategies and SME performance (Cant et al., 2016; Amin, 2021). The study's overarching goal was to examine the effects of three pricing strategies on three indicators of SME performance in an effort to highlight on the disparities and contradictions.

According to the data, not every pricing strategy used by South African Businesses improves performance. It was found that a pricing strategy based on the perceived value to the customer improved results significantly. Results show that using a value-based pricing strategy will help SMEs in South Africa increase their market share, profits, and revenue. Yet, there was no positive correlation between rival price and any of the performance indicators. SME profit growth in South Africa might be the sole target of cost-based pricing. The findings indicate that value-based pricing, and to a lesser degree cost-based pricing methods, are vital to the productivity of South African SMEs. This study shows that many SMEs in South Africa may not make it beyond the first few years of operation because they try to adopt a pricing strategy based on their competitors.

Previous studies have established a considerable association between pricing strategies and the success of SMEs, but our results do not entirely support that hypothesis. Being the first to investigate the link between pricing strategies and the performance of SMEs, Sousa and Bradley (2008) are revered as the topic's progenitors. Researchers Pippo (2018) found a positive, statistically significant correlation between strategic pricing and firm performance. Similar results were discovered by Lin et al. (2010) who investigated the impact of pricing strategies on the overall profitability of businesses. Scholars have shown a positive correlation between pricing strategies and the performance of SMEs in a number of similar research (see, for example, Abiodun and Kolade, 2010, Manuere et al., 2015, and Amin, 2021).

The results of this study corroborate those of Liozu and Hinterhuber (2013), who found that shifting to value-based pricing increased profits for enterprises of all sizes. They also found that regardless of company age, sector, or size, value-based pricing improved profitability. As stated by Rudiger (2004), value-based pricing does not include a hike in price for otherwise equivalent goods and services. Instead, it entails finding ways to represent customer value to different market segments and adjusting price to reflect shifts in value perception, among other things. This study provides hard data to support the findings that value-based pricing is the best strategy for SMEs to thrive in a dynamic market like South Africa's.

8.5 Research Objective 3: Moderating effects of a firm’s age and size on the relationship between the pricing strategies and SMEs in emerging economies

According to these findings, the relationship between price antecedents and pricing strategies is unaffected by the SME Age. The analyzed model does not show that the age or size of a SME moderates the connection between pricing strategies and SME performance.

Results from this research are consistent with those by De Toni et al. (2022), Latifi et al (2021). De Toni et al. (2022) found that the association between pricing strategies and the success of SMEs was unaffected by demographic characteristics of the company, such as import and new products. Company size and age are deemed irrelevant to performance by Latifi et al. (2021). When it comes to business failure, age and size don't matter, according to Caves (1998). Growth and failure probabilities, as well as firm size, are negatively correlated with one another (McPherson 1995). There is often no correlation between the age of a company and its likelihood of failing (Altman, 1983; Castrogiovanni 1996; Monk 2000). A company's size is not a reliable indicator of its success or failure, according to previous research (Altman 1983; Ohlson 1980; Peel 1985, 1987; Peel et al., 1985 and 1986). In both 1983 and 1968, Altman used a company's total assets as a measure of its size.

The inference is that, generally speaking, smaller businesses work more efficiently than their larger counterparts, but that this trend reverses once they reach a certain size. Unless the companies in question are run by people with an entrepreneurial spirit, they have a far lower chance of success than bigger, more established businesses. Yet neither the length of time a company has been around nor its current financial status are related to the rate of its growth or profitability. A company's size is proportional to both its resources and the expenditures associated with keeping those resources at a constant level. Firm size may be roughly determined by counting the number of workers. Most scholars hold the view that small enterprises can only thrive in environments where huge corporations are not given an institutional advantage.

Since they lack the material and retained earnings to effectively create or get access to these informal networks, small businesses are predominantly dependent on publicly available markets with higher-than-average transaction costs. For one thing, small businesses often don't have the capital to invest in creating or gaining access to informal networks. Empirical studies have shown that small enterprises in developing countries have traditionally had a hard time succeeding because their owners and managers lacked the necessary technical and management skills. Access to managerial and financial resources considerably improves small enterprises' chances of survival, development, and competitive success. Thus, the company's size and length of existence are immaterial.

8.6 Research Objective 4: Impact of Pricing objectives and Pricing Capabilities on the relationship between pricing strategies and SME Performance

It is important to know how the price objectives and capacities of SMEs explain the linear correlations, in addition to examining the association of pricing strategies on business performance. Hence, pricing capacity and price objectives mediated the connection between pricing strategies and SME performance.

Results showed that pricing capabilities of SMEs moderated the relationship between value-based pricing strategy and SME success measures including increase in profit, sales, and market share. Findings from the study also showed that SMEs' profit growth performance was less affected by cost-based pricing when they had access to pricing capabilities. This suggests that while cost-based pricing may not have a significant connection with profit growth, a SME's chance of profitability improves when it has a high pricing competence. This demonstrates that price strategy alone may not be enough to affect SMEs' performance, as an understanding of how pricing functions in one's business may be a decisive factor.

Moreover, it is shown that, if SME pricing skills are sufficient, a competitor-based price strategy may boost profit growth. If a SME wants to succeed financially, its choice of pricing strategy has to be tied to its level of pricing expertise. So, the evidence suggests that the capacity to set prices accurately is critical to the success of SMEs.

The study set out to investigate how different price objectives affected the correlation between pricing strategies and financial outcomes among SMEs. When compared to the prices and results of competitors, moderation had no discernible effect. This shows that a pricing strategy based on competitors has the same effect on all performance metrics regardless of the SME's price objective. Yet, the price goal moderated the connection between value-based pricing strategy and all performance measures. This suggests that the efficacy of value-based pricing strategies for SMEs is improved when price objectives are made very clear. Furthermore, it was shown that pricing objective mediated the connection between cost-based price objectives and expansion of market share and profits. In sum, cost-based pricing may not have a direct big correlation with corporate performance, but it does have a strong relationship when coupled with a specified price purpose.

The findings indicate that pricing skills and pricing objectives influence the beneficial relationship between pricing strategies and SMEs' outcomes. Prior research by Avlonitis and Indounas (2005) investigated the connection between pricing objectives and pricing strategies for. Furthermore, the link's effects were quite noteworthy. Price is a critical management tool for helping businesses meet their pricing objectives, say Cant et al. (2016). Avlonais and Indounas (2005) came to a similar conclusion, arguing that price objectives should be the primary consideration when developing pricing strategies. Investment in marketing operations that create competitive assets to boost corporate success is what strategic planning efforts are all about (Dickinson & Ramaseshan 2008). An increase in earnings is a direct result of pricing strategies, as stated by Yang et al. (2018). Nevertheless, Morgan et al. (2019) agree that marketing strategies are investments that produce performance and growth. Substantial evidence suggests that pricing knowledge and price objectives affect pricing strategies and profitability through sustained competitive advantage. As reported by (Srivastava, 2016). Verdakas (2014) argues that differences in pricing methods are an indication of the distinctive sets of resources and talents available to various businesses. They came to the conclusion that a company's performance is tied to its pricing strategy, which is in turn determined by the company's pricing capabilities and price objectives.

8.7 Chapter summary

The purpose of this study is to investigate the link between price antecedents and pricing strategies, as well as the relationship between pricing strategies and the success of SMEs. For a deeper dive into these two associations, we employ moderators including price objectives, pricing capabilities, and the age and size of SMEs.

It is essential at this point to assess how well the study achieved its stated objectives of learning more about how SMEs set their prices. Pricing strategies for SMEs and commercial or corporate organizations are not that different from one another, according to the marketing and pricing literature. SMEs are seldom included in pricing literature. This caveat should be kept in mind while evaluating the results. The findings of the study are in line with what was expected. Pricing strategies and the success of SMEs have been discussed, along with related concerns and challenges.

CHAPTER 9

RECOMMENDATIONS AND CONCLUSION

9.1 Introduction

This last chapter of the thesis provides an overview of the whole research, including everything from the study's contributions and ideas for both theory and practice to its suggestions for future research. The primary purpose of this study was to investigate the relationship between SMEs pricing strategies and the challenges they face in today's modern economy. Results of SMEs are examined in light of price antecedents and pricing strategies. This research was conducted in its natural setting, which was South Africa. The study's findings indicate that price antecedents and pricing strategies are significant factors in the success of SMEs over time. This research also demonstrates the impact that a business's age and size have on the link between price antecedents and pricing strategies. Comparatively, the link between pricing strategies and SME success is moderated by the SME's price objectives and pricing capabilities.

9.2. Key findings

Competition, corporate and market antecedents, and customer-related factors were shown to be significant determinants of pricing strategies used by South African SMEs in this research. Moreover, SMEs have a great deal of leeway in determining their own fate via pricing methods including value-based, cost-based, and competitive pricing. Although the present study has laid the groundwork for these correlations, there are other critical boundary conditions that may fortify the ties between strategies of pricing and the SME performance, such as revenue, sales, and market-share. Both the indicated baseline and the moderating impact was constant regardless of SME size or age. Thus, we may conclude that the correlations between strategic pricing and the success of businesses cannot be explained by their age or size. Here, we present the findings in further depth.

9.2.1 Research Question 1: The investigation of the antecedents to SMEs' choice of pricing strategies?

According to these findings, antecedents of prices have a significant influence on pricing strategies. Developing a pricing strategy might seem like a daunting undertaking if you do not have a thorough knowledge of the market, the firm's internal workings, and many interconnections between these factors. When it comes to driving revenue, few factors are as important as price strategy. The numbers underline the importance of sticking with a pricing policy that values existing and potential consumers above rivals. Hence, value differential between old and new products and services and the value provided to customers provides a more efficient way of using appropriate pricing strategies, boosting both the profitability and competitiveness of businesses.

Conditions relating to customers, competitors, and corporations/marketing were realized in this research as gaining an impact on SMEs pricing strategies. These issues continued not only for newer SMEs but for more seasoned ones too, and for micro and medium-sized businesses. This points out that SMEs need to give importance to such factors when deciding on a pricing plan. The success of their pricing strategies is likewise affected by these factors.

9.2.2 Research Question 2: The impact of these pricing strategies on SME performance?

In response to the aforementioned query, the data suggests that not all pricing strategies used by South African SMEs really improve performance. It was found that a pricing strategy on the basis of perceived importance to the customer improved results significantly. Results show that using a value-based pricing strategy will help SMEs in South Africa increase their market share, profits, and revenue. Yet, there was no positive correlation between rival price and any of the performance indicators. SME profit growth in South Africa might be the sole target of cost-based pricing. The findings indicate that value-based pricing, and to a lesser degree cost-based pricing methods, are vital to the growth of South African SMEs. This study shows that SMEs in South Africa may not make it beyond the first few years of operation because they try to adopt a pricing strategy based on their competitors.

9.2.3 Research Question 3: To examine the moderators that can help best explain the pricing strategies and SME performance?

The research evaluated certain important characteristics that prior research has shown might operate as moderators via both interaction and subgroup moderations to provide an answer to the issue posed above. The price targets and price ranges were employed as interactive moderators. Results showed that pricing skills of SMEs mitigated the connection between value-based pricing strategy and SME success measures including profit, sales, and market share growth. This suggests that while cost-based pricing may not have a significant connection with profit growth, a SME's chance of profitability improves when it has a high pricing competence. This demonstrates that price strategy alone may not be enough to affect SMEs' performance, as an understanding of how pricing functions in one's business may be a decisive factor.

Moderation did not have a significant impact on rival prices or the company's ability to achieve its pricing objectives. This shows that a SME's pricing objectives has no bearing on the impact of a pricing strategy based on competitors' prices on any of the KPIs. Yet, price objectives reduced the connection between value-based pricing strategy and all performance indicators. This suggests that the efficacy of value-based pricing strategies for SMEs is improved when price objectives are made very clear.

Finally, the possible modifiers of the pricing strategy-performance connection were evaluated with respect to the SMEs' age and size. The results showed that pricing strategy had the same effect on

SME performance regardless of company age or size. This means that the study's findings on the importance of pricing strategy choices are independent of the company's age or size.

9.3 Contributions

Many theoretical, empirical, and practical advancements are made in this work that were not previously present in the aforementioned literature. This research looked at the causes and effects of SME pricing fixing in South Africa. Considering how consumers value a product and to the level they are prepared to pay is just one of the equations when choosing prices. It's also connected to how well the business can support itself and make money for its owners. Astute company owners may be able to discover a price that is both competitive and profitable by studying the principles that control the mechanics of pricing. This thesis has shown the circumstances that determine the success of pricing strategies, which will affect the overall performance of SMEs. The findings provide promising new directions for research and clinical work.

To begin, a void has been filled by this study in the literature by focusing on the unique challenges that SMEs face when implementing pricing strategies. This research adds to the literature by representing that using in-house resources like the ability to create price objectives is the most effective method for strengthening the connection between pricing strategy and performance. This research shows that some pricing strategies, when used alone, may not have the desired effect on sales, market share, and profitability for a SMEs, but when combined with the pricing objectives and pricing capabilities of the SME, the SME's performance improves. This is a significant theoretical addition since it explains how internal SME capabilities improve upon the notion of pricing strategy and performance connection. To the researcher's knowledge, this has not received sufficient attention, especially in developing countries like South Africa, where SMEs are expected to drive the majority of economic development.

Pricing alone is never a sufficient marketing strategy. If long-term profit is the objective, however, the price selection becomes the central linchpin around which all other marketing choices for the business revolve. To increase a company's relative competitive position and return on investment, it is necessary to use a proactive pricing strategy (Nagle & Holden, 2002). Another significant development brought about by this study is that the conceptualization is oriented toward marketing, and thus customer-value centeredness, rather than from an economic or financial management stance. An economist may focus on the point of price determination where supply and demand curves intersect, whereas a financial management may place more importance on the revenue budget based on price. As a marketer, you'll want to think about things like buyer behavior, sales volume and demand, competition, seasonality, cost, product quality, pricing strategies, objectives, and how consumers see the value of what you're selling. On the basis of the findings of this research, SMEs now have genuine market-focused implications for how they might enhance their performance by adjusting their pricing strategies to better reflect the value they deliver to their customers.

This research contributes by delving into the issues SMEs in South Africa have with their pricing strategies, which ultimately leads to their decline and eventual closure. The research found that there was a wide range of pricing techniques that South African SMEs may use to boost their productivity. Findings from the provided research credence to the theory that basing one's success too much on the ability to respond to competitors' prices often results in subpar results. As a result, Businesses now have access to efficient pricing methods they should use to boost performance.

According to Kurniawan's (2019) research, companies' prices aren't always accurate. It is more crucial than ever before to have a well thought out pricing strategy in today's environment of intense competition. According to research by Raju and Zhang (2003), pricing strategies have a major effect on corporate earnings. Companies often "set a price and hope for the best," as stated by Lemonakis et al. (2020). Raju emphasized the need of methodical and planned pricing rather than random approaches. One of the most effective ways to set yourself apart from the competitors is via pricing, which may signal both the superiority of your goods and the scarcity of your market. This research has supplied the empirical basis for SMEs pricing strategy, which can now be implemented successfully in the market. It has also shown that SME managers need to consider the circumstances of their industry before deciding on a pricing policy. As a result, the findings of this research indicate that the success of a pricing strategy implemented by an SME hinge heavily on the presence of a well-defined price objectives. So, this research has closed a gap in the existing empirical literature by a comprehensive analysis of the boundary conditions that explain the pricing strategies and performance of SMEs.

9.4 Recommendations

External and internal variables have an impact on pricing choices. SMBs adopt a broad variety of pricing strategies and price adjustments. But, for the product to be profitable, the price must generate sufficient revenue to cover expenses. Businesses must also establish their policies about price changes and alterations to their goods' advertised prices. Some firms use price adjustments as a temporary sales boost.

Small business proprietors should use a holistic pricing policy. Business owners should stop using the unrealistic cost-plus pricing method and instead factor in all relevant factors when setting prices. It is important to consider rivals' pricing and expenses while developing a customer-centric strategy to implement within a bigger market-oriented approach. Only when providing a service of exceptional quality is it acceptable to charge more than the going rate. The benefits of an integrated pricing strategy for managers are substantial as well. In certain cases, this might help businesses more precisely reflect the needs of their markets in terms of price.

By determining its pricing objectives and analyzing the factors that affect how a product should be priced, a firm must choose the pricing strategy that will assist it in achieving those objectives. As stated earlier, firms use a variety of pricing strategies for their services. In many instances, the approach is defined by the current stage of the life cycle of a product. Goods in different global markets may be at various stages of their product life cycle.

For SMEs in South Africa to ensure profit growth, they should incorporate cost-based and value-based pricing as opposed to competitor-based pricing. Furthermore, these SMEs can ensure sales growth by implementing value-based pricing and disregard cost-based or competitor-based pricing. This pricing strategy is particularly valuable in the current economic conditions faces by South Africans (high inflection, less disposable income) because consumers will support SME if they can see the value of their products in relation to the goods received. Lastly, SMEs grow their market share by also focusing on value-based pricing for the reasons stated previously. With the three pricing strategies considered, SME will survive in the SA marketplace by implementing value-based pricing.

9.5 Limitations of the study

The objectives of this study are to assess the link between price antecedents and pricing strategies, as well as the correlation between pricing strategies and the success of SMEs. These associations are studied further by accounting for moderating elements such the firms' motivations and competitors' strategies as well as the size of the firms, sectors, and ownership structures.

Notwithstanding these caveats, the findings should be grasped as a method for gaining a quantitative understanding of pricing strategies, as opposed to a more subjective understanding of which marketing methods are most effective.

The study's findings suggest further investigation into additional factors that impact SMEs' success. There are several contexts in which the results of the current research might be used. Anyone involved in running a SME, in addition to policymakers and academics, will benefit from this study's findings. The results of this research are expected to improve management procedures and open the door to other studies examining this phenomenon in SME settings.

Like to every other research study, this research also has its own limits. The primary drawback is that data were exclusively obtained from SME owners in Gauteng, South America; hence, the findings cannot be generalized. In addition, the quantitative character of this research makes it impossible to identify any new or underlying issue among SME owners in terms of price antecedents and pricing strategies.

In future research, further moderation analysis may be used to the links between price antecedents, pricing strategies, and SME success. In addition, this research may be expanded to several nations and done longitudinally by analyzing the data over an extended period of time.

9.6 Directions for future research

Inferences about future research paths may be drawn from the above results and limitations. To begin with, the majority of empirical research relies on a single informant per firm. Considering the significance of additional pricing strategy challenges, more information from owners and managers in and outside of Gauteng, South Africa is essential. All departments and consumers involved in the development and implementation of pricing policies should be scrutinized. Specifically, the views of pricing techniques by customers may be relevant to future research.

Second, current pricing strategy research is mostly focused on retail businesses. Yet, the offering is not the focus of the pricing probe. Instead, the focus is on pricing objectives, drivers, and conditions. Future research may identify the relative importance of the service's real components across various market segments. This may be relevant to the actual pricing strategy in two ways:

first, to modify pricing strategy components to particular product attributes, and second, to further classify various pricing strategies.

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APPENDIX 1: ETHICS CLEARANCE CERTIFICATE

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)
R14/49 Fathima

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: H22/02/06**
PROJECT TITLE	Pricing Strategies for SMEs' Success in South Africa: Investigating the Antecedents and Moderators
INVESTIGATOR(S)	Mrs A Fathima
SCHOOL/DEPARTMENT	Wits Business School/
DATE CONSIDERED	18 February 2022
DECISION OF THE COMMITTEE	Approved Risk Level: Minimal
EXPIRY DATE	03 April 2025

DATE 04 April 2022 **CHAIRPERSON** ____________________ (Professor J Watermeyer)

cc: Supervisor : Professor T Anning Dorson

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10004, 10th Floor, Senate House, University. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to submit an amendment of the protocol to the Committee. **I agree to completion of a regular progress report. For Minimal and Low studies, this is due annually on 31 December. For Medium and High Risk studies, this is due twice annually on 30 June and 31 December.**

Asma Fathima
Signature

05 / 04 / 2022.
Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES

APPENDIX 2: QUESTIONNAIRE

Pricing Strategies for SMEs Success in South Africa: Investigating the Antecedents and Moderators

Dear Owner/Manager

The following questionnaire is part of an extensive research study undertaken to investigate the phenomenon of identifying pricing strategies used by Small and Medium-Sized Enterprises. It will be appreciated if you could complete it with the investigator, who will visit your store, as thoroughly as possible.

Please note that all information will be treated as extremely confidential and will only be used for academic purposes.

Your cooperation in this regard will be highly appreciated.

Yours faithfully

Asma Fathima

Ph: +27845598428

……………………………………………………………………………………………………….

Instructions for Completion:

1. Please answer all questions regarding your business as honest and objective as possible.
2. Please reflect your most accurate answer. organization
3. You may give an answer for more than one box if it is applicable to your organisation.
4. Where asked to comment or specify, please keep it brief but comprehensive.

1. Is your business formal or Informal?

☐ Formal

☐ Informal

2. Is your business registered? If yes, with which regulatory body?

3. When did you start this business? State in years and months?

4. Is the business own by one person or multiple?

5. Is the owner the same as manager?

○ Yes

○ No

6. What is the owner's highest level of qualification?

7. In what sector according to the Standard Industrial Classification would you classify your business?

7.1. Agriculture	
7.2. Catering, accommodation and other trade	
7.3. Community, Social and personal services	
7.4. Construction	
7.5. Electricity, gas and water	
7.6. Finance and business services	
7.7. Manufacturing	
7.8. Retail and motor trade and repair services	
7.9. Mining and quarrying	
7.10. Transport, storage and communications	
7.11. Wholesale trade, commercial agents and allied services	
7.12. Other (specify)	

8. How many people are employed by your business?

Number of staff members	

9. What is the size of your business in Rand value? *

10. What form of business are you in?

10.1. Sole proprietor	
10.2. Partnership	
10.3. Close Corporation	
10.4. Private Company	
10.5. Other (Specify)	

11. In the following set of questions, please indicate the extent to which you agree to each of the statement regarding your price setting within your business. Please indicate, on a scale of 1 to 5 (where 1 = strongly disagree and 5 = strongly agree)

Preamble: ***When pricing, we consider***	strongly disagree	lisagree	either agree or disagree	agree	strongly agree
11.1. High possibility of new competitors entering into the market					
11.2. Large number of competing services					
11.3. Prices are determined by the market's own mechanisms					
11.4. Intensive competition in the market					
11.5. Attraction of new customers					
11.6. Reduction of the price more easily in the future					
11.7. Achievement of a satisfactory market share					
11.8. Need to make the service well-known					
11.9. Creation of a prestigious image					
11.10. Ability to reduce the cost as the production increases					
11.11. Coverage of the service's development costs					

11.12. *Fast rate of the new service's adoption					
11.13. *Sale of other servicesat higher prices					
11.14. *Discouragement of new competitors entering into the market					
11.15. Customers are aware of the specific service					
11.16. Customers are aware of the prices offered in the market					
11.17. High potential demand					
11.18. High price elasticity					

*** Items were deleted for poor loading. Such items were not included in the measurement and the structural model assessment**

12. In the next set of questions, we would like you to respond to the statement in terms of your agreement or otherwise. That statements are about your pricing strategies as an SME.

Please indicate, on a scale of 1 to 5 (where 1 = strongly disagree and 5 = strongly agree)

Preamble: ***Our pricing strategy carefully consider the following***	strongly disagree	disagree	neither agree nor disagree	agree	strongly agree
12.1. Variable costs of products/services					
12.2. Price necessary to break-even					
12.3. Investments in products/services					
12.4. Target margin guidelines					
12.5. Target return on sales levels					
12.6. Price of competitors' products/services					
12.7. Competitors' current price strategy					
12.8. Likelihood of competitors' strength to react					

12.9. Market structure (number and strength of competitors)					
12.10. Degree of competition on the market					
12.11.*Competitive advantage of competitors in the market					
12.12. Advantages of the product compared to competitors' products/services					
12.13. Customer perceived value of the products/services					
12.14. Customer willingness to payfor the unique benefits of the product/services					
12.15. Balance between advantages of products/services and price					
12.16. Differentiated value drivers of our products/services compared to substitutes					

*** Items were deleted for poor loading. Such items were not included in the measurement and the structural model assessment**

13. In the next set of statements, we would like you to measure yourself or your business against the items listed below. Please indicate, on a scale of 1 to 5 (where 1 = To a Very Small Extent and 5 = To a Very Large Extent)

Preamble: ***Our business is able to do the following:***	To a Very Small Extent	To a Small Extent	To a Moderate Extent	To a Large Extent	To a Very Large Extent
13.1. Using pricing skills and systems to respond quickly to market changes					
13.2. Conducting value-in-use analysis or Total Cost of Ownership					
13.3. Designing and conducting specific pricing training programs					
13.4. Developing proprietary internal price management process					
13.5. Doing an effective job of pricing products/services					

13.6. Sticking to price list and minimizing discounts					
13.7. Quantifying customers' willingness to pay					
13.8. Measuring and estimating price elasticity for products/services					
13.9. Knowledge of competitors' pricing strategies					
13.10. Monitoring competitor's prices and price changes					
13.11. *Measuring and quantifying differential economic value versus competition					
13.12. *Designing proprietary tools to support pricing decisions					

*** Items were deleted for poor loading. Such items were not included in the measurement and the structural model assessment**

14. In the next set of statements, we would like you to measure yourself or your business against the statements listed below regarding how you set your pricing objectives. Please indicate, on a scale of 1 to 5 (where 1 = To a Very Small Extent and 5 = To a Very Large Extent)

Preamble: ***To what extent does your business do the following when setting pricing objectives:***	To a Very Small Extent	To a Small Extent	To a Moderate Extent	To a Large Extent	To a Very Large Extent
14.1. Target return on investment					
14.2. Target markup					
14.3. Target Price stabilization					
14.4. Target Market share					

*** Items were deleted for poor loading. Such items were not included in the measurement and the structural model assessment.**

Objective Performance Measures:

15. Please state the average growth rate (in % terms) in the following areas over the past three years

1. Sales volume growth 2021…………. 2020………… 2019……………
2. Profit margin growth 2021…………. 2020………… 2019...………….
3. Market share growth 2021…………. 2020……….... 2019..…………..
4. Overall profitability 2021…………. 2020………… 2019……………

16. Please indicate your rate (in % terms) of return on investment for the last 3 years

1. Return on investment 2021…………. 2020………… 2019.………….
2. Return on assets 2021…………. 2020………… 2019…………...

17. Please state your actual sales figures for the past 3 years:

2021………... 2020………… 2019………….

18. Please state your actual profit figures for the past 3 years:

2021………... 2020………… 2019…………