

THE IMPACT OF PRICING STRATEGIES ON  
PROFITABILITY OF SAMEER AFRICA LIMITED

A RESEARCH DISSERTATION TO BE SUBMITTED AS  
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR  
AWARD OF BACHELOR DEGREE  
IN INTERNATIONAL BUSINESS OF ADMINISTRATION OF  
KAMPALA INTERNATIONAL UNIVERSITY

BY

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SEPTEMBER, 2006

## DECLARATION

This project is my original work and has not been presented for any other award by anyone in any institute.

SIGN...  .....

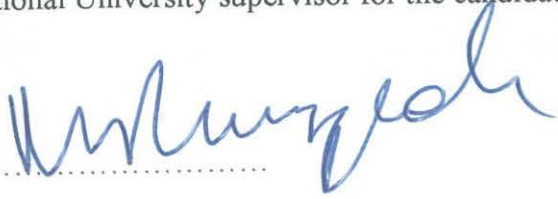
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DATE... 16 - 10 - 2006 .....

## STATEMENT OF APPROVAL

This project has been submitted to examination with my approval as Kampala International University supervisor for the candidate.

SIGN.....



MR. MICHAEL RUTEGANDA

DATE.....

16/10/06

## DEDICATION

This project is a special dedication to my loving Mum and Dad. Thanks so much for bringing much into my life. May the future be full of joy and happiness to them.

God Bless you.

## ACKNOWLEDGEMENT

I acknowledge the efforts of my lecturer and supervisor Mr. Michael Rutagenda for his *guidance and tireless assistance, which contributed immensely to the successful completion of this research project.*

I am highly indebted to the management and staff of the Sameer Africa Limited. Much gratitude goes to staffs in the marketing department and finance department for their support and facilitation for this research project.

I also acknowledge the efforts of brothers, sisters and friends for their moral support that they offered during this period. *Your care and concern will always linger deep down in my heart.*

Above all, I give God glory, for He has made me worthy of His glory and kept me whole and healthy and enabled me to enjoy outstanding success as is portrayed in this research project.

May God Bless you all

## ABSTRACT

The project title is the impact of pricing strategies on profitability of Sameer Africa Limited.

The research was conducted under the hypothesis that the pricing strategies functions positively influence the profitability of products that satisfy consumer's needs and wants, thus reducing costs and increasing sales and profits.

The study was carried out to analyze market performance of new prices, assess the impacts of pricing strategies in regard with profitability functions and evaluate the customer's response to the new prices.

Primary and secondary data was used in the study. Secondary data includes journals, guides, reports and books. Primary data includes observation, interviews and written questionnaires. The sample unit includes Sameer Africa employees. Data was collected through questionnaires and interviews from the management and staffs.

Data processing involves coding, editing, classification and tabulation to make them amendable for analysis.

Facts from collected data and findings reveal that effective pricing development functions reduce through costs and efforts, while increasing sales and profits domination.

It is recommended that the firm should focus more on pricing strategies development process, to ensure continuity of growth and profitability.

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# CHAPTER ONE

## 1.0 INTRODUCTION

### 1.1 The background of the study

This research study is confined to the industry in Kenya. There is an increase demand in Kenya for tyres because of the increasing demand for motor vehicle since motor vehicles and tyres are complimentary products. The increase in demand for motor vehicle is a result of change in people's lifestyle whereby cars are regarded as necessities not as luxuries.

Currently, there is very stiff competition in the tyre industry in Kenya

### 1.2 The purpose of the study

Pricing refers to the placing of a monetary value tag on a product. It is one of the marketing basic elements that any firm can employ when it want to maximize sales and even revenue. Pricing in its very nature has psychological effect on consumers. We find that in most cases, consumers associated high prices with high quality products and even low prices with low quality or bargain. From the above information the author was prompted to come up with the following objectives.

- i) To find out different kinds of tyres manufacture by (Sameer Africa)
- ii) To find out the prices of different types and compare with imported one sold by other firms that affect the profitability of tyres.
- iii) To come up with conclusion and recommendations of the study.

### **1.3 The statement of the problem**

The local firm which has been manufacturing and selling tyres in Kenya is Sameer Africa it has been doing well since it started operating in the market and this is because of the monopoly which favoured it. However, since the liberalization of the economy, the firm has lost a considerable percentage of its market share. This is because competitors have come in the industry and some consumers have switched to competitors products.

The research study will therefore look at the impact of pricing on the profitability of tyres.

### **1.4 The significance of the study**

Liberalization of the economy brings about the competitive environment in the tyre industry. Therefore a firm in the tyre industry has to ensure that it meets the demand of its market maximum satisfaction.

It is equally important for a firm to apply the necessary marketing strategies in order to be able to face the competition effectively. A firm should conduct intensive market research in order to have full knowledge of the environment in which it is operating.

The research study is therefore very important because it will help the management identify its pricing strategies and come up with ways which are effective in implementing the plans of the organisation in order for the firm to survive the market.

This research study is also important to suppliers of tyres to customers for it will enable them to know why some tyres sell slowly, and decide on the amount of stock of the various brands of tyres available.

The study is also important to customers of tyres for it will help them distinguish difference price of different brands or tyres sizes of a particular firm Sameer Africa. It will also help them distinguish the best quality of tyres by finding out the specifications of features of the different brands of tyres.

The general public through the research study will instill an image concerning some brands of tyres; this will lead into a public image about firestone.

### **1.5 Assumptions**

- i) A firms will not do well if it cannot withstand competition.
- ii) A firm will not do well if the price of its products is too high.
- iii) A firm will not do well if its products are not well promoted.
- iv) A firm will not do well if the quality of its product is low.
- v) A firm will not do well if its products are not well distributed to reach its customers.

### **1.6 Statement of hypothesis**

- i) Sameer Africa tyres are not performing well in the market because they cannot withstand competition.

ii) Sameer Africa tyres are not performing well in the market because their prices are too high.

iii) Sameer Africa tyres are not performing in the market because they are not well promoted.

iv) Sameer Africa tyres are not performing in the market because its products are of low quality.

v) Sameer Africa tyres are not performing well in the market because its products are not well distributed to its final users.

### **1.7 Research questions.**

i) Is Sameer Africa not doing well because of competition?

ii) Is Sameer Africa not doing well because of its prices are too high?

iii) Is Sameer Africa not doing well because of poor promotion?

iv) Is Sameer Africa not doing well because of low quality of its products?

v) Is Sameer Africa not doing well because of poor distribution of its products?

### **1.8 Methodology**

The author used the following methods of data collection to get information in the research study.

#### **i) Interviews**

The author conducted interviews whereby potential customers of tyres were asked some questions regarding the products as it are offered firestone.

## ii) Questionnaires

This is a list questions sent to potential customers regarding them to answer appropriately. The author also used this method to collect information from customers who reside in the distant places.

## iii) Observations

Observations was also used as a tool for collecting information whereby the author observed the number of vehicles using brands of tyres from Sameer Africa using competitors brands.

## iv) Statistical method

The author used the statistical methods to evaluate and understand the sale of Firestone for certain duration

$$\text{Where } X = \frac{\sum fx}{-}$$

Where X - mean

F - Frequency

$\Sigma$  - Summation

X - Number of items

## v) Literature review /a collection

The author gathered different data from magazines, journals, compiled reports from firestone and newspapers that had adequate information on the relevant area concerning the study.

## **vi) Case study**

The author took Sameer Africa as the case study and tried to analyse their pricing strategies of different sizes of tyres and its profitability of different kinds of tyres.

### **1.9 The scope of the study**

The study covered a specific firm, namely Sameer Africa which deals with the manufacturing and selling of tyres in Kenya.

Currently, Sameer Africa is facing very stiff competition due to the liberalization of the economy which has led to importation of tyres in the industry. The main competitors are Michelin which sells imported tyres in Kenya. Other competitors include Dunlop and second hand tyre importers.

Before the liberalization of the economy, Firestone has been operating under a monopolistic environment, but now it has been greatly influenced by imported tyres from the competitors, thus affecting the pricing and the profitability of the tyres.



## **1.10 Limitations**

The author encountered difficulties while carrying out the research and these are as explained below:-

### **Time**

Since collection of data was time consuming. It was very difficult for the author to have more time to revise for his exams and at the same time conduct research for the study.

### **Finance**

The author of the research study was still a student during the time and research, which means the funds needed for the research were inadequate. There was a limited fund for purchasing the writing materials typing and binding the project .however the author managed to get financial assistance from close relatives

### **Information**

The various firms from which the author collected information from were much resulted to provide the required information for fear of confidentiality .this resulted into consuming a lot of time for the research study.

## CHAPTER TWO

### 2.0 LITERATUR REVIEW

#### 2.1 Critical appreciation

This research study was based on pricing and profitability of a product The profitability of products usually depend on a number of various factors such as:

1. The level of taxes imposed on the products.
2. Income of people who buy the products.
3. Prices charged for products.
4. Prices for complimentary products.
5. The kinds of tastes have developed towards a product.
6. Price charges for substitute products.

The author critically appreciated pricing as one of the most important factors that determine the profitability of a product.

Pricing can affect the profitability in various ways:-

- i) The author found out that price charged for a product could attract or chase away customers. Also there are some buyers who could buy more if the prices of a particular product was low. This kind of people may be rational in their behaviour as they do not rely on price to determine the quality of a product, also we find out there are those who run away from low price because they think that the quality of the product is poor.

- ii) The author found out that the price can affect the profitability of a product if the price charged for a product can provide a product with a competitive advantage in the market. For example if the price set is relatively lower and so the product is cheaper than its substitute then its likely to lead into increased sales volume leading to high profitability but if the price is too high than the sales volume then the substitute than the profitability will b low.

Apart from profitability the author found it necessary to expound on the pricing part of it. Pricing is an important complex and interesting element of marketing mix variables. It is the most important and critical area in a marketing management. It is critically important to both business and non-profit making organisations.

In marketing management pricing is a very critical decision. Sound pricing policies must be adopted to ensure that the organisation secure satisfactory profits. A marketing manager has to be familiar with the concepts useful in pricing decisions. He has to consider the various factors, which influence pricing apart from costs such as the customer characteristics, competitive environment and government control where applicable.

The prices for products materially affect the demand for it as well as the organisation competitive ability. Its also affect product planning, this is if the quality of the product is to be improved this may be possible only if the customers Are willing to pay a higher price for it. Besides if the product is not properly priced there might be reluctance from the channel of distribution. Price must also

provide promotional expenses involved in connection with advertising of personal selling.

## **2.2 Statement of knowledge in the chosen field**

According to the author research, he found that there are various factors that are involved in price changes and he looks on ways to initiate and respond to price changes. The author noted that there are various circumstances that leads firms to increase or reduce prices for their products. These are:-

### **2.2.1 Why firms reduce prices**

- i) When a firm has excess unsold stock, it needs additional business and cannot generate it through sales effort or even product improvement; such a firm will reduce its prices in order to boost its sales.
- ii) A firms market share might be falling because of vigorous price competition where prices are reduced thus the firm also reduces prices hoping to regain its market share.
- iii) Prices are also reduced so as to dominate the market through market share because when prices are cut, market share will increase.

The author found that customers view and respond to prices reduction differently.

The following point shows how customers view and respond to price cuts:-

- i) The product is just to be replaced by a later product. Some customers tend to purchase the product but others wait for the new product.

- ii) Customers may fail to buy the product in which its prices have been lowered as they think that the product has some fault.
- iii) The firm may be in financial problem and may not stay in business for long hence it decides to lower prices so as to sell all its stock quickly.
- iv) Customers also interpret low priced products as inferior products.
- v) Customers may also fail to buy reduced price products hoping that the price may come down even further and it pay to wait.

### **2.2.2 Why firms increase prices for their products.**

#### **i) Inflation**

Rising costs unmatched by productivity gains squeezes profit margin and makes companies increase their prices for their products. However there are strategies which assist a company to meet inflation. These are removing products services such as free delivery, using less expensive packaging materials, substituting less expensive materials and shrinking amount of a product instead of raising the price.

#### **ii) Excess demand**

When a company cannot supply all its consumer needs, it can raise the price for the product in order to reduce demand. This is referred to demarketing the product.

#### **iii) Psychological reasons**

Some purchases made by consumers are emotional rather than rational. Buyers think that high priced products are of high quality.

#### iv) Monopolistic situation

A company may increase price of its products because it's the only sole producer of that product.

#### v) Profits

A company may also increase prices so as to meet shareholders profits and expectations.

However, the author found that customers interpret price increase as follows:-

- a) The item or product represent unusual good value
- b) The product is very 'hot' and may be unobtainable unless its bought soon.
- c) The seller is greedy and just wants to get some profit.

### **2.2.3 Competitors prices**

The author also found that, firm management should evaluate each competitor's prices before initiating to price change. However, the firm should take the following price adjustments if the competitor decides to match their prices with that of the firm.

#### i) Price maintenance

The market leader might maintain its prices If the competitor decided to match their prices and hence retain the profit margin that they have been enjoying. A firm may choose to maintain its prices when it's not likely to loose its market Share, when it will lose profit if it reduces prices and when it can hold a good customers and gives up poorer ones. However, a firm should not maintain its prices when competitor matches prices because it can lose more shares than

expected, it can end in charging lower prices at the end to regain market share and also price maintenance may not pay at the end.

ii) Price maintenance with non-price counter attack.

The firm may also maintain their price but strengthen the value of its offer.

iii) Price reduction

The firm might lower its prices in order to continue dominating the market.

iv) Price increase with product counter attack.

The firm can raise its prices and introduce some brands to bracket the attacking brand.

### **2.3 Review of previous relevant literature**

According to the author's research, he found that William J. Stanton in his book *Fundamental of Marketing* did not fully explain about pricing. Stanton only gave few and shallow points on importance of price. He failed to show the limitation of pricing. However, he explained on methods of setting prices, pricing strategies & policies. The author was not fully convinced about pricing from this book where he commented that Stanton would have shown methods of pricing, price determination and also other marketing programs rather than pricing.

Philip Kotler in his book *Marketing Management* 8<sup>th</sup> edition from page 487 to 523 explains clearly on designing pricing strategies and programs. He first explains on setting of prices and factors considered in setting prices. He also explained very well and in arranged manner on setting of final prices, adopting the price, initiating and responding to price changes. The author found this book of more importance since he got more information from it which was easy to understand.

Robert J. Holloway and Robert S. Hancock in their book environment of marketing management 3<sup>rd</sup> edition did not give enough information about pricing. Their information was very shallow and not easy to understand as they only explained pricing of new products and price policy and theory. The author did not find the book of more use hence he had to research from other books. Robert would have explained the importance and problems of pricing, methods of pricing, how to price e.t.c.

Michael J. Baker in his book marketing 3<sup>rd</sup> edition from page 227 – 240 gave the explained the price determination, pricing and aims, methods of pricing and pricing strategy. The author found his book of some use although he explained in very detailed statements. He would have elaborated much more in his information.

David w. Cravens in his 3<sup>rd</sup> edition strategic marketing book from page 445 – 472 explained clearly about price strategy. Explained on the strategic roles of price, uses of prices in positioning strategy, objective of price and establishing price policies. He explained on using graphs, tables and this helped the author to get the information about pricing clearly.



## **2.4 Theoretical framework**

Price can be defined as the value of a product in terms of money. The author found that price can also be said to be the value that is attached to a product and the anticipation of profit. However a company has to decide on what it's to accomplish with particular product hence it must have pricing objectives.

### **2.4.1 Pricing objectives**

#### **i) Survival**

i) This is the major aim intense competition. Low price are set to keep the business going. Survival is considered of more importance than profit.

#### **ii) Current profit maximization**

Many firms estimates demand and cost associated with alternative prices and choose the price that will produce the maximum current profit. The company emphasis current financial performance rather than long-run performance.

#### **iii) Market share leadership**

Some companies set low prices so as to dominate the market share. They believe that the company owns the biggest market share will enjoy the lowest cost.

#### **iv) Product quality leadership**

A company can charge high prices to cover high product quality and high cost of research and development.

## 2.4.2 Pricing methods

Pricing methods are aimed at leading to a specific price which should not be too low or high. Also a firm has consider production costs, competitor prices, price of substitute and unique product features. Pricing methods include:-

### i) Cost – plus pricing

This is a method of pricing whereby a standard mark-up is added onto the cost of the product. The market ignores current and future demand and also the market potential.

### ii) Target product/Break even analysis

In this method, a firm tries to determine the price that could produce the profit that the firm is seeking. This method requires accurate / forecasting, but it ignores demand factor and influence of price on volume.

### iii) Perceived value pricing

This is the case where company base their prices on the product perceived value.

They see the buyer perception of value and not the seller cost as the key to pricing.

### iv) Going rate pricing

In this a firm bases its prices largely on competitors prices with less attention paid to its own costs or demand. The firm might charge the same or less than its major competitors.

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### iv) Going rate pricing

In this case a firm bases its prices largely on competitors prices with less attention paid to its own costs or demand. The firm might charge the same or less than its major competitors.

### v) Sealed bill pricing

In this pricing method, the firm base their pricing on expectation of hoe competition will price rather than rigid relation to the firms cost or demand.

### **2.4.3 Pricing strategies**

Once a company has firmly set its objectives, it must develop a specific pricing strategy that best fits the product. The following are the pricing strategies

#### **i) .skimming pricing strategy**

This is where a firm its products higher than the competing brands.

Consumers believe that high prices products are of high quality. Higher prices allow the firm to recover development cost of products at the introduction stage.

It makes sense when consumers are not price sensitive.

#### **ii) Penetration pricing strategy**

In this case a company sets prices than its competitors so that to win large number of buyers and large market share. It makes sense if product does not reflect social status. A lower price also discourages competitors and develops brand recognition.

#### **iii) Competitive pricing strategy**

In this strategy, companies set prices at the same level as the competition and compete on some other elect of marketing mix. Sums of money are also used to convince customers through promotion.

### **2.4.4 Pricing policies**

This includes:-

i) Psychological pricing is any tactic that uses price to create and appealing perception of the product in the mind of consumers. Consumers are not only

rational but sometimes they have emotional response to prices. High prices indicates high quality product while low prices indicates inferior products.

#### ii) Promotional pricing

Retailers realize that price lower than normal has a lot of appeal to consumers hence they use price variables to promote sales and attract new buyers. Forms of promotional pricing are loss leaders, special event prices, cash rebates and psychological discounting.

#### iii) Geographical pricing

It involves the company in deciding how to charge its products to customers located in different parts of the country. The manufacturers must cover distribution costs while still offering prices attractive to customers. It occurs in forms like free on board, uniform delivery, zone pricing, basing point pricing and freight absorption cost.

#### iv) Price discount and allowances

These are price modifications meant to reward customers for certain acts. They include cash discount, quantity discount, trade discount, seasonal discount, and trade in allowance and promotion allowances.

## CHAPTER THREE

### 3.0 METHODOLOGY

In this chapter the author discusses the several methods used to collect data in the research study.

#### 3.1 Case study

In carrying out the research study, on "The effects of pricing and the profitability of a product" the author applied case study as a method of data collection.

A case study is a carefully selected unit or sample from a given population which represents the whole population in a specific study. The author selected Sameer Africa limited to help him conducted the case study successfully. This is because Sameer Africa is the only local firm in Kenya dealing with manufacturing and selling of tyres.

This method was advantageous to the author because case study is a very efficient method of data collection for it saved a lot of time and was convenient less time was required to refer to text books giving the author enough time to prepare himself for examination.

The author was able to get a lot of information from the recorded references which made the research study easier and convenient. The resource personnel

From Sameer Africa who the researcher acquired information from were qualified marketing personnel, and this made the whole process fast and efficient.

### **3.2 Interview method**

Interview method of collecting data involves presentation of oral verbal-stimuli and reply in terms of oral verbal – response. The author used this method through personal interview, whereby, he asked questions in a face-to-face contact with the responds, therefore the author collected information personally from the sources concerned.

The method proved to be very efficient because the author was able to collect more information and in greater depth, since this method is practically suitable for intensive investigations.

Using this method was important to the author as there was opportunity to restructure questions. Therefore the author was able to adapt to the language of the interview to the ability of the respondents and hence avoided misinterpretation concerning the questions.

More so with interview method the author was able to control which person(s) will answer the questions on the research study.

However this method has its own limitations in that certain types of respondents such as important officials or executives were not easily approachable under this method for every were very busy with company matters.

This method of data collection was time consuming, because it involved visiting various respondents and some were taking too much time to respond.

Interview method was also a limitation in that the presence of the author on the spot may have over stimulated the respondents and this leads to giving imaginary information just to make the interview interesting.

Another disadvantage of this method is that it was very expensive to the author because he had to visit many respondents in the widely spread geographical sample for reasons of being more accurate in his research study.

However, the limitation did not impede the development of the research.

### **3.3 Questionnaire method**

The author also used this method of collecting data whereby a questionnaire was sent to the concerned respondents with a request to answer the questions and return the questionnaire.

It was very important for the author to ensure that the respondents are capable of reading and understanding the questions to give the required results by answering appropriately.



This method was advantageous to the author because it is free from any bias of the researcher because the answers are in respondents own words.

Questionnaires method was also very important to the author of the research because his respondents had enough time to give well thought out answers.

This method was also efficient for it for it enabled the author to reach respondents who were not easily reachable even to respondents who also were far.

In every situation there is always something positive and negative about an issue, this is to say that the questionnaire method has its own disadvantages too. One of this is that there was low rate of return of the filled in questionnaires.

This method prompted a lot of inflexibility because the author was unable to amend the approach on release of the questionnaires. By using this method it was very difficult for the author to know whether the willing respondents were representatives.

This method was dissatisfying in that there was the possibility of ambiguous replies or omission of replies to certain questions. This makes the research study inaccurate. Questionnaire method also proved to be difficult and uncertain to the author because control of the questionnaire was lost once they are sent to their respective respondents.

And more to that the method was time consuming despite all these obstacles the author managed to collect data his research study.

### **3.4 Observation**

Observation becomes a method of data collection for the research of it serves a formulated purpose. The author sought information by ways of investigating of direct observation without asking from respondents.

The author therefore observes the brands of tyres used by the customers, the type of brands also used with the intention of wanting to know whether majority of the potential customers use tyres from Sameer Africa or the imported tyres. It was also very important to know the prices for those particular tyres and how they were performing in the marketing for it would lead the author to know the profits each particular brand of tyres they were making; this would be done only by estimation method.

This method was advantageous to the author because he was able to eliminate subjective bias by using his skills to observe accurately.

The information obtained by the research under this method related to what was happening by then; therefore it is not complicated by past events.

The observation method of data collection was very convenient because it was independent of respondent's willingness to respond and therefore this method demands less active co-operation of the respondents.

Observation method has its own limitations too. It was an expensive method of data collection since the author had to see users of tyres in the field.

This method was also disadvantageous because the author was able to get the relevant information on the performance of Sameer Africa in the present liberalized economy.

Through this method the author was able to know how the Sameer Africa Company is trying to cope with competition.

This was an easier method of collecting data since books were readily available in the library so the author used little time to collect the need information in his research study.

### **3.5 Statistical method**

This is also known as measure by average. Therefore, the average of all facts collected by several methods i.e. questionnaires, interviews and observations

$$\text{Mean} = \frac{\text{Sum of all items}}{\text{Number of items}}$$

$$\bar{X} = \frac{\sum X}{N}$$

Where  $\bar{X}$  - mean

$\sum X$  - Number or sum of all items

N - Number of times an item recorded

#### Advantages

- i) It was simple and easy to understand
- ii) It proved easy to calculate as long as the figures were available
- iii) It took into account every item in the distribution

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- i) It was simple and easy to understand
- ii) It proved easy to calculate as long as the figures were available
- iii) It took into account every item in the distribution

#### Disadvantages

- i) It could not be measured by geographical methods
- ii) It could not correspond with other figures in data
- iii) Therefore was very high or low figures in the distribution. However, the limitations were not an impediment to the work

The author also used charts and graphs to analyse the data collected.

### 3.6 Literature review

The author also made reference from books, journals, newspapers, company own records and company magazines. All the materials read helped the author to obtain more information to complete the research study.

#### Advantages

- i) The author could get more and accurate data, which was based on facts.
- ii) The author was able to develop more understanding of the research study.
- iii) It was less expensive than any other method used.

#### Limitations of this method

- i) There was lack of availability of current data.
- ii) It was time consuming since the researcher had to complete his reading material to get exact information.

## CHAPTER FOUR

### 4.0 FINDINGS

#### 4.1 Result of investigation

The author through his research on the pricing and the profitability of tyres of a selected firm (Sameer Africa) obtained the following information from Sameer Africa.

- i) Basically due to the liberalization of the economy which has led to important to tyres in Kenya has brought about a very stiff competition in the tyre industry whereby, competition substitute tyres are capturing the Kenyan market, this has affecting the pricing of firestone tyres.
- ii) Sameer Africa used to enjoy a monopoly before liberalization and emergency of imported tyres which the competitors took advantage with advances technology and in that case the competitors are gaining a market share.
- iii) Unlike competitors, Sameer Africa come up with events that bring together members of the public and at the same time try to promote their product like the motor show exhibition.
- iv) The company Sameer Africa manufacturer's tyres which are targeted to different classes of vehicle priced at different prices.
- v) Sameer Africa tyres are being priced higher than the local tyres which are found locally in the market (Retreated tyres)
- vi) The author was informed that Sameer Africa use different pricing policies.

They use the following pricing policies:-

**a) Psychological pricing**

The price component of the marketing mix causes psychological reaction on the part of the consumer .high price may indicate high quality or prestigious product while low mean real or inferior quality.

Psychological pricing is designed to encourage the purchase of tyre that is based on emotional rather than rational responses.

**b) Promotional pricing**

Many tyre dealers realize that consumers love bargains. They know that a price lower than the normal has a lot of consumer appeal to the tyres as a result they use the price viable to promote the tyre sales and attract new buyers. This lower priced tyres are in effect traffic builders or price leaders and they are used by majority of tyre dealers outlets.

**c) Geographical pricing**

Involves the tyre dealers deciding how to price tyres to consumer located in different parts of the country. Using this strategy the following questions arise and need to be answered effectively so as to loose sales.

- i) Should Sameer Africa tyre dealers charge higher prices to distant customer to cover transport expenses thereby risk loosing business?
- ii) Should Sameer Africa tyre dealers charge the same prices to all customers regardless of their location.

## 4.2 Data analysis

The author after visit a number of sellers and distributors of Sameer Africa tyres obtained the following information.

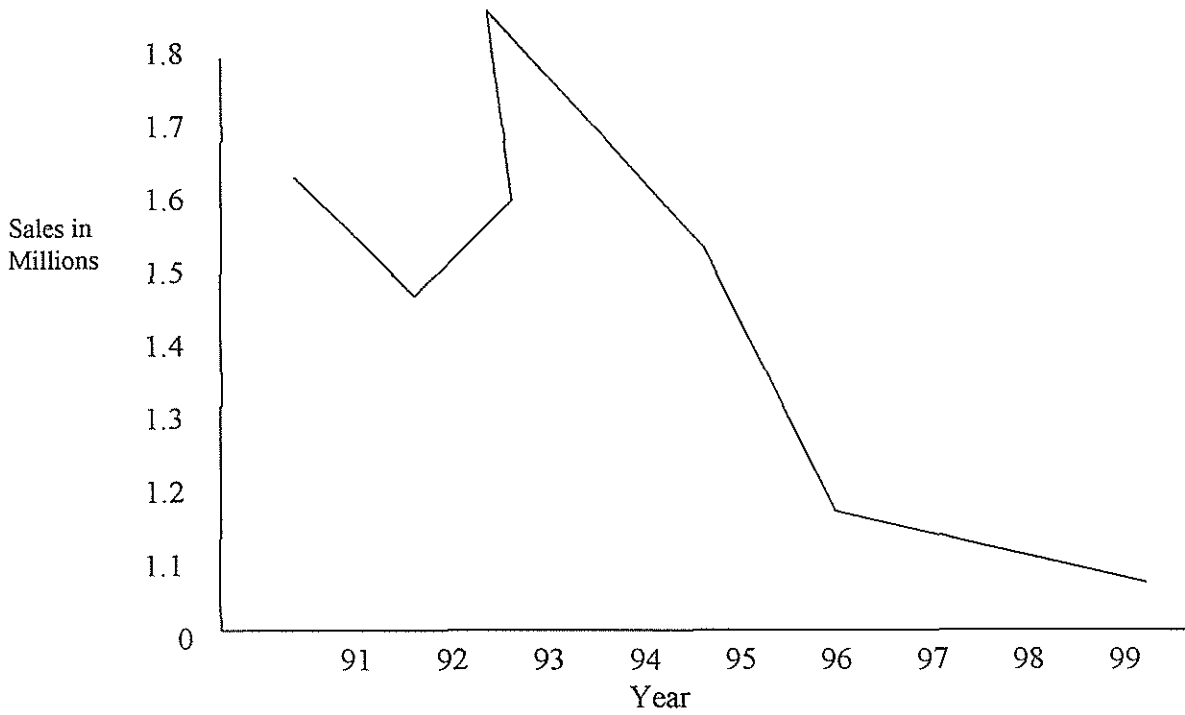
The table below shows the sales of Sameer Africa tyres in the market from Mobil petrol station along Tom Mboya Street, as from 1991 – 1999

Year	Sales in numbers	Sales in (Kshs)
1991	8950	1,658,900
1992	8640	1,442,300
1993	8890	1,599,700
1994	9100	1,810,200
1995	8700	1,500,100
1996	8200	1,000,100
1997	7960	876,200
1998	6420	649,700
1999	600	400,100

The above data shows that from 1991 – 1995 the sales of Sameer Africa tyres by Mobil petrol station was in a fluctuating trend but as from 1996 – 2000 the sales started declining drastically.

The data is clear shown in the graph below which shows Sameer Africa tyres by circle by Mobil petrol station.

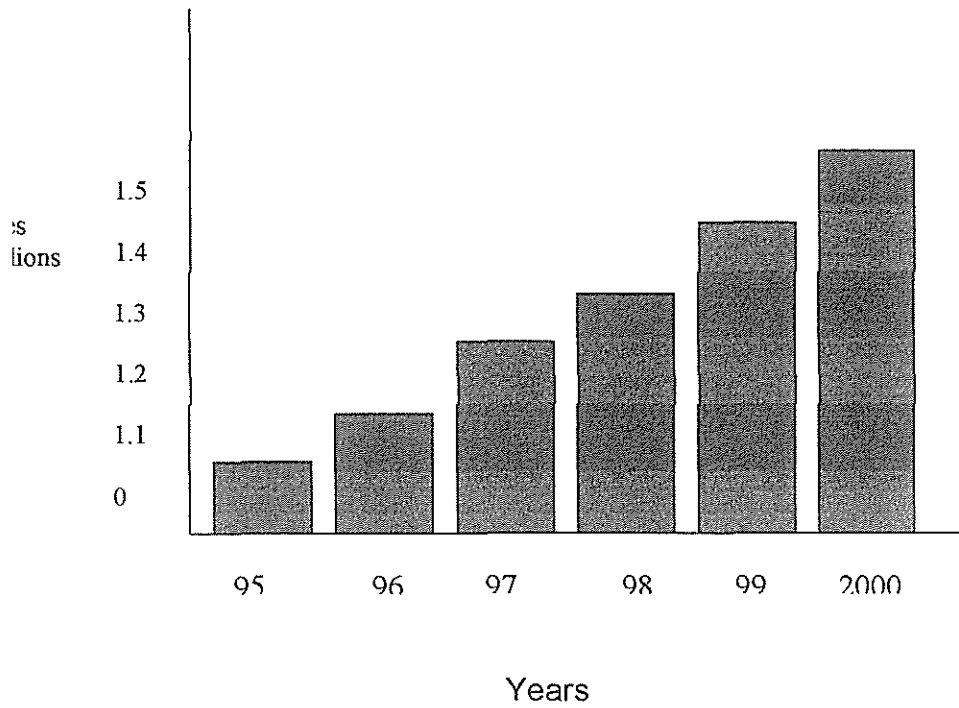




Below is a table showing sales of Sameer Africa tyres of Caltex petrol station located in Donholm distributed as from 1995 – 2000

Year	Sales in Kshs
1995	1,000,00
1996	1,180,200
1997	1,900,900
1998	1,230,400
1999	1,340,000
2000	1,450,500

**THE PERFORMANCE OF SAMEER AFRICA TYRES SALE OF CALTEX  
PETROL STATION SINCE 1995 – 2000**



The graph below shows the average sales for Sameer Africa limited

Year	Sameer Africa
1997	1750
1998	1625
1999	1600
2000	1500

# CHAPTER FIVE

## 5.0 CONCLUSION AND RECOMMENDATIONS

### 5.1 Overview of research process

This research study was based on pricing and profitability of tyres. The case study was Sameer Africa co.Ltd. The main aim of the research project was to establish the relationship between pricing and profitability of tyres.

The methods used by the author to collected data included case study, observations, interviews, questionnaires, literature review and other statistical techniques that were used to tabulate and analyse data collected.

Based on the research findings which are recorded in chapter four the author established that there exists a relationship between the pricing of a product and profitability. The author came up with the following conclusion pertaining tyre from Sameer Africa Co. Ltd. The firm realized high profits due to its efficient and better pricing strategies.

### 5.2 Applicability of the findings

The facts established through the research study are applicable to what the author was investigating, that is to establish relationship between pricing and profitability of products.

This is because the author obtained the sales in number of tyres in Sameer Africa and how the company was doing annually as indicated as indicated in chapter four.

From the sales obtained from Sameer Africa the author was able to establish that there existed a relationship between the pricing and its profitability.

### **5.3 Suggestions for further action**

Following the problems detected during research work the author came up with several opinions for Sameer Africa co. Ltd. Which when put in practice would improve their profits

- i) First the author established that Sameer Africa co. Ltd which was the pioneer in the industry had lost much of its market share to other competitors. This was brought about by the reluctance of the firm for it was serving under a monopoly before the entrant of competitor in the tyre industry. Thus the author would suggest that the company should revise methods and ways of coping up with competition, use the attack strategies to deal with the competitors.
- ii) The author also noted that Sameer Africa co. Ltd did not have clear flow of marketing information. The author recommends that Sameer Africa co. Ltd should ensure that there is availability of proper clear and upto date marketing information. This will help the firm to make sufficient marketing decisions.

- iii) The author noted that Sameer Africa co. Ltd were not well versed with new improved technology of making tyres, they were still using the old techniques. The author recommends that the company should also introduce the exhibition with the aim that will enable more consumers to be well versed with the new technology and efficiency of tyres. The should also try to conduct market research and update tyres with modern technology.
- iv) Though Sameer Africa were making profits but still their pricing strategy was not quite effective. The author recommends that the firm should try to adopt effective pricing strategy to make tyre. This would improve on the profits
- v) Sameer Africa co.Ltd products have been known to go for high prices due to this customer are returning to competitors products.

The researcher recommends that in order to counter attack the pricing competition in the market the firm will have to promote its tyres aggressively in the market.

This can be achieved by proper implementation of sales promotion and advertising programmes and coming up with pricing methods which would help in reducing the cost of production and lowering price of the product in question.

## Appendices (I)

### Questionnaire

This questionnaire and any information give herewith are solely for the purpose of an academic research on the impact of pricing strategy on profitability of Sameer Africa Limited. All responses shall be treated in strict confidence and shall not in part or completely be divulged for any other use, apart from the stated purposes.

1. Which brands of tyres do you sell?
2. Are there any changes in sales volume since the economy was liberalized?

Yes

No

3. What are the complaints from customers as far as the tyres you are concerned?
4. Do you have any problems in marketing of those tyres?
5. What would you say about the quality of tyres sold?
6. Do you allow bargaining or are you price fixed?

Yes

No

7. What are your comments about the promotional strategies of the brands of tyres you sell?
8. Does this affect in any way your sales for a period of time?

Yes

No

9. Is the demand of tyres you sales for a period of time?

Yes

No



***Office of the Dean  
School of Business and Management***

Date: 6<sup>th</sup> October, 2006

THE PUBLIC RELATION MANAGER,  
SAMEER AFRICA, (K) LIMITED.

Dear Sir/Madam,

**RE: JACKSON KATIKU MUTIE REG.NO.BIB/4799/31/DF**

This is to confirm and inform you that the above referenced gentleman is a bonafide student of Kampala International University pursuing a Bachelor of International Business Administration Degree programme in the school of Business and Management of the University.

His title of the Research Project is "IMPACT OF PRICING STRATEGIES ON PROFITABILITY OF SAMEER AFRICA LIMITED".

As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and reading materials from your place.

In this regard, I request that you kindly assist him by supplying/furnishing him with the required information and data he might need for his research project and also by filling up the questionnaire.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,

**DR. Y. B. NYABOGA**  
ASSOCIATE DEAN – SCHOOL OF BUSINESS AND MANAGEMENT  
TEL.NO. 0752 843 919